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Human Resources

Function in Transition

Heidrick and Struggles

Consultants in Executive Search

Introduction

When Heidrick and Struggles conducted a study of the human resources function several years ago, most corporate executives subscribed to operational rules that resulted in rigid organizational structures, more concerned with quantifiable matters than with qualitative ones. These structures neither fostered the flexibility needed to respond quickly to changes in the market, nor promoted the innovative management needed to create new products, processes and services.

Today, the business community is facing the realities of increasingly complex technologies, ever-scarcer resources and intensified competition. These pressures are forcing organizations to continually examine the productivity and capabilities of all their employees, thus increasing substantially the importance of human resources management. The chief human resources executive is being thrust from the realm of implementor into the dual role of decision-maker and strategist. Evidence of this can be found in this study and is supported by our recent experience in recruiting for senior level human resources executives.

For example, companies find themselves trying to create "a meaningful human resources program at the corporate level." As a first step, the company often turns to an executive recruiting firm to identify an individual to head this program. Frequently we hear statements such as "This is the most important position in our company for the next few years" or "We will pay whatever it takes to get the right person" or "Find us a human resources executive who can think strategically and be part of our senior management team."

Yet all too often senior management's policies and procedures contradict these statements: compensation for the head of human resources frequently is below that of other function heads; the position often reports to someone other than the chief executive officer; it is not rare to find that the chief human resources executive is excluded from the "management committee"; and it is not uncommon for the head of human resources to be located on a floor other than that occupied by senior management, or to have a title suggesting a lesser status than other function heads.

But this is changing, and the human resources function continues to gain the recognition it deserves. It is a "function in transition"—one which will better assist organizations in responding to the challenges of the future.

David R. Peasback
President and Chief Executive Officer
Heidrick and Struggles

Summary of Trends in Human Resources Management

Workforce
Increasingly international
Less unionized
Leaner

Role in company
More involved in strategic planning
More centralized in policy-making, planning, and control
Less centralized in implementation

Stature of functional head
Increasingly higher in corporate rank
More highly compensated

Significant changes in last five years
More involved in strategic planning
More likely to be part of top management team
More bottom-line oriented

Significant changes in next five years
More involved in strategic planning
More concerned with needs of a changing workforce
More concerned with ROI on human resources

Statistical Composite of a Typical Chief HR Executive

		Major U.S. Industrial	*Major U.S. Non-Industrial*
The Company	Headquarters	East	East
	Workforce	More than 20,000 in U.S., non-unionized More than 5,000 foreign	Fewer than 10,000 in U.S., non-unionized Fewer than 1,000 foreign
The Position	Stature	Vice President of human resources, reporting to CEO Officer, but not director	Vice President (unspecified), reporting to CEO Officer, but not director
	Scope of responsibilities	Worldwide workforce; 10 or fewer staff reporting on straight line; 11-50 staff reporting on dotted line	U.S. workforce; 10 or fewer staff reporting on straight line; 10 or fewer staff reporting on dotted line
		EEO, benefits planning and administration, compensation, training and development, succession planning, recruiting, organizational development, attitude surveys, medical programs, manpower forecasting and planning, employee services, labor relations, safety and OSHA compliance, international industrial relations	EEO, benefits planning and administration, compensation, recruiting, attitude surveys, employee services,organizational development, training and development, succession planning, medical programs, manpower forecasting and planning, HR accounting, general administration, labor relations
	Ranking of current demands on time	1. Compensation 2. Benefits planning and administration 3. Training and development 4. Succession planning 5. Organizational development	1. Compensation 2. Benefits planning and administration 3. Training and development 4. Recruitment 5. Organizational development
	Compensation	$170,000 cash (salary and bonus) Perks include company car, deferred compensation, and financial counseling	$111,000 cash (salary and bonus) Perks include company car and deferred compensation
The Person	Sex	Male	Male
	Birthplace	Midwest	Midwest
	Age	50.7 years	46.4 years
	Education	Bachelor's degree in business Graduate degree in business	Bachelor's degree in business Graduate degree in business
	Mobility	3.3 employers	3.1 employers
	Tenure	14.9 years with employer 6.5 years as chief HRO	12.5 years with employer 5.0 years as chief HRO
	Experience	Background in other functions, most likely manufacturing	Background in other functions, most likely sales/marketing
	Choice of most effective HR functions in U.S.	IBM General Electric Hewlett-Packard	IBM General Electric Hewlett-Packard

Company Workforce

Today's chief human resources executive manages an increasingly international and less unionized workforce.

Nearly nine of ten industrial companies have a multinational workforce, with two-thirds of the largest industrials reporting more than 5,000 foreign employees. Two-thirds of industrials with sales under $1 billion have up to 3,000 employees outside the U.S., and three of five non-industrials have an international workforce.

The proportion of employees represented by unions has declined significantly among industrials since the last survey done in 1977. Only 29 percent now have a majority of their employees under union representation, compared to 51 percent seven years ago. This trend parallels an across-the-board reduction in workforce reported by industrials since the previous study was conducted.

U.S. Workforce	*All Companies*	*All Industrials*	*All Non-Industrials*
20,000 and more	33.2%	43.6%	22.5%
10,000-19,999	18.3	17.3	19.4
Under 10,000	48.5	39.1	58.1

Foreign Employment	*All Companies*	*All Industrials*	*All Non-Industrials*
5,000 and more	23.5%	39.0%	7.9%
3,000-4,999	5.5	8.6	2.4
1,000-2,999	17.3	18.8	15.7
Under 1,000	27.4	21.9	33.1
None	26.3	11.7	40.9

Percentage of companies with majority of workforce unionized	21.2%	28.8%	13.5%
Arithmetic mean percentage of employees under union	25%	36%	14%

Human Resources Budget

The budget for human resources among non-industrials is one-third higher in dollars per employee than for all companies. The highest amounts are reported by utilities, and by the banking, financial services, and insurance firms. As a percentage of company payroll, non-industrials devote twice as many dollars as industrials to the human resources budget.

	All Companies	*All Industrials*	*Industrial by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	Under $1 bil	
HR budget arithmetic mean dollar amount per employee	$841	$528	$472	$639	$530	$1125
Percentage of company payroll	3.3%	2.3%	2.3%	2.7%	2.1%	4.2%

Title

Human resources continues to rival the corporate finance function in prevalence. Nine of ten of the country's largest companies (89 percent) designate a chief human resources executive at the corporate level. Since the previous study, changes in official status and descriptive titles reveal the increased power and prestige of human resources chiefs. Seventeen percent now rank at the senior or executive vice president level in industrial companies, compared to less than 1 percent in the 1977 study. Nine of ten are vice presidents or higher, an increase of 20 percent in the last seven years.

Paralleling the gain in stature are changes in functional descriptions. "Human resources" is now the preference of one-third of industrial companies, compared to one-tenth seven years ago. "Personnel" and "employee relations" have both dropped substantially in popularity. Only one in twenty industrials now labels the function "industrial relations." Most significant is the lack of a descriptive title at one-fourth of the industrials and more than one-third of the non-industrials. This finding indicates that human resources chiefs are increasingly members of the inner circle of senior management, but without functional labels. Although only 1.4 percent have been elected to the parent company's board, 45 percent attend director meetings. Of those, nearly three of ten attend every meeting.

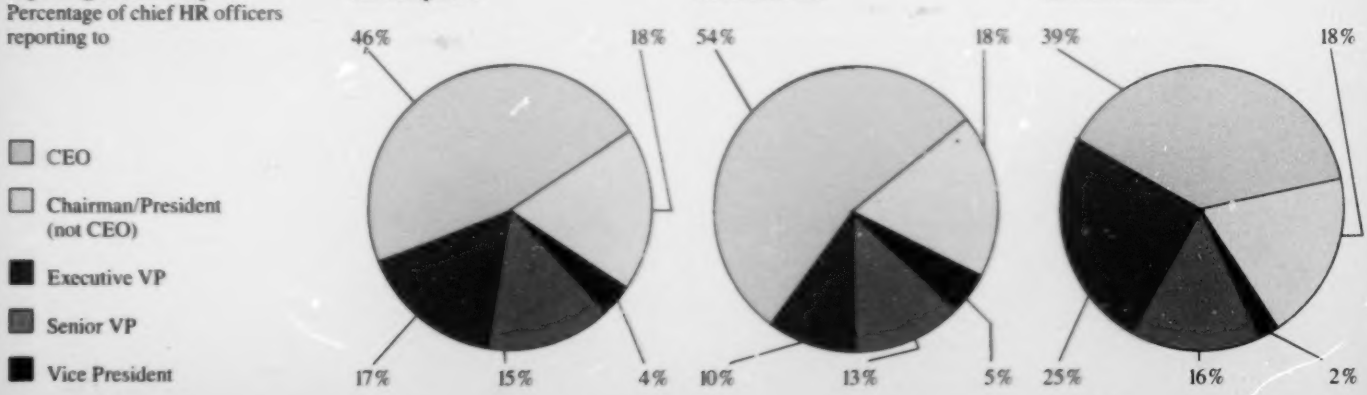
Title	*All Companies*	*All Industrials*	*Industrial by Size*			*All Non-Industrials*
			$2 bil or more	$1-1.9 bil	Under $1 bil	
Human Resources						
Vice president & higher	28%	29%	32%	28%	25%	29%
Director/Manager	4	3	3	–	7	4
Personnel						
Vice president & higher	15	12	11	16	11	17
Director/Manager	2	1	–	–	4	3
Employee Relations						
Vice president & higher	7	12	15	6	7	4
Director/Manager	1	1	–	3	2	1
Not specified						
Vice president & higher	31	26	29	25	22	35
Director/Manager	2	1	–	–	4	2
Other						
Vice president & higher	9	14	10	19	16	4
Director/Manager	1	1	–	3	2	1

All totals equal 100%.

Reporting Relationship

More than half of the respondents with industrial firms now report to the chief executive officer, compared to 37 percent in the previous study. Eighteen percent report to a non-CEO chairman, vice chairman, president, or chief operating officer, about the same proportion (15 percent) as seven years ago. One-third report to an executive or senior vice president, slightly more than in 1977 (28 percent). Only 5 percent report to a vice president, compared to 20 percent seven years ago. Reporting to the CEO is not quite as widespread at non-industrials. Almost two-fifths do, but one quarter report to an executive vice president, considerably more than their counterparts at industrials.

Reporting Relationship
Percentage of chief HR officers reporting to



Workforce Responsibility

Among industrial companies, the human resources chief is most likely to have worldwide responsibility for the workforce, although frequency declines with size, from three-quarters for the largest to half for the smallest. Worldwide responsibility also correlates to workforce size. Since fewer non-industrials have foreign employees, these respondents are more likely to have responsibility for domestic staff only.

Workforce Responsibility	*All Companies*	*All Industrials*	*All Non-Industrials*
Worldwide	59.6%	76.1%	42.9%
USA only	40.4	23.9	57.1

Staff

Human resources departments at the corporate level tend to be lean. Four in ten department heads (41 percent at industrials and 39 percent at non-industrials) supervise ten or fewer staff members on a straight-line basis. A similar proportion at non-industrials (39 percent) also have fewer than ten reporting on a straight-line, and nearly as many of those at industrials have 11-50 employees reporting on a dotted-line basis.

Organizations with 20,000 or more employees operate with the leanest human resources staff, one HR staffer to 590 company employees. Midwestern companies also tend to have a smaller HR department than average. Among non-industrials, the category of banks, financial services, and insurance firms has the lowest number of total employees per HR staff member.

HR Staffing *Reporting on straight-line basis*	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
Under 5	12.5%	12.8%	7.7%	6.5%	25.0%	12.1%
5-10	27.4	27.7	24.7	19.4	38.6	27.2
11-50	28.4	30.4	29.2	38.6	27.3	26.4
51-100	16.0	13.5	15.4	16.1	6.8	18.6
101-250	10.0	9.2	13.8	12.9	–	10.7
More than 250	5.7	6.4	9.2	6.5	2.3	5.0

All totals equal 100%.

Reporting on dotted-line basis	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
Under 5	20.6%	8.8%	11.3%	–	11.9%	33.0%
5-10	9.0	11.7	8.1	9.4	19.0	6.2
11-50	28.4	34.9	21.0	40.6	50.0	21.5
51-100	17.6	14.6	11.3	21.9	14.3	20.8
101-250	12.4	13.9	19.4	15.6	4.8	10.8
More than 250	12.0	16.1	28.9	12.5	–	7.7

All totals equal 100%.

Ratio of HR staff to total workforce arithmetic mean	1:329	1:348	1:475	1:316	1:212	1:311

Current Role

Chief human resources executives overwhelmingly report their department plays a strategic role in their company, maintaining a close relationship with top management, participating in business decisions, and designing its program to contribute to achievement of the company's goals. Almost half of the chief human resources executives have seen their department become more centralized with respect to policymaking, planning, and control in the last five years, and less centralized for implementation. Mid-sized companies, however, report a slightly different pattern. A majority of those with 10,000–19,999 employees (46 percent) are structured the same as they were five years ago, but nearly as many (44 percent) are more centralized.

Current Role	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
Human Resources plays strategic role in company	92.4%	94.2%	96.8%	100%	86.4%	90.6%
Role of HR Department Compared to Five Years Ago						
Policymaking, planning, and control is						
More centralized	45.3%	39.6%	40.0%	43.3%	34.8%	51.1%
Less centralized	25.2	28.0	26.2	26.7	32.6	22.3
Structured the same	29.5	32.4	33.8	30.0	32.6	26.6

All totals equal 100%.

Implementation is	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
More centralized	30.8%	25.9%	24.6%	26.7%	25.6%	35.7%
Less centralized	45.9	46.0	46.2	50.0	44.2	45.7
Structured the same	23.3	28.1	29.2	23.3	30.2	18.6

All totals equal 100%.

Changing Role—Last Five Years

More involvement in strategic planning is specified most frequently by human resources heads as the way in which the role of their position has changed over the last five years. A slightly lower percentage (28 percent) says HR chiefs are more likely to be part of the top management team, and more bottom-line orientation ranks third.

Less frequently mentioned changes are a more proactive stance (9 percent); more technical and systems orientation (9 percent); more concern with quality of work life (8 percent); more concern with productivity (7 percent); more legal knowledgeability (7 percent); and more involvement in succession planning (6 percent).

Changing Role —Last Five Years	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
More involved in strategic planning	30.1%	27.1%	36.2%	23.3%	17.5%	33.1%
More likely part of management team	28.1	30.2	32.8	23.3	30.0	26.0
More bottom-line oriented	21.1	20.2	19.0	20.0	22.5	22.0

Results do not add to 100% due to multiple responses.

Changing Role—Next Five Years

Human resources chiefs foresee even greater involvement with strategic planning in the next five years. They also believe the needs of a changing workforce and the return on investment from human resources will rank high on their agenda.

These broad issues facing senior management lead them to believe the HR chief will play a leading role in the survival and prosperity of American business. That the strategic and conceptual skills of these executives are being well used is confirmed by the high rating they give their companies for utilizing their capabilities. On a scale of 1 to 10, with 10 being highest, the typical HR chief in each category assigns a grade of 7 or higher to his employer.

Changing Role —Next Five Years	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
More involved in strategic planning	28.0%	24.8%	25.9%	20.0%	24.3%	31.3%
More concerned with needs of a changing workforce	22.0	24.8	22.2	24.0	29.7	19.1
More concerned with ROI on the human resource	12.5	12.8	7.4	16.0	18.9	12.2

Results do not add to 100% due to multiple responses.

Company's Use of HR Chief's Capabilities on Scale of 1 to 10 (Arithmetic mean with 10 representing optimal use)	7.46	7.48	7.75	7.27	7.24	7.45

Most Effective Human Resources Functions

Asked to name three major American business organizations with the most effective human resources functions, these executives exhibited singular agreement. Nearly eight in ten specified IBM. General Electric received the second highest number of votes, and Hewlett-Packard was third. Other organizations named included Xerox (9 percent), TRW and Delta Air Lines (8 percent), Procter & Gamble (7 percent), and AT&T and 3M Company (6 percent each).

Most Effective HR Functions	*IBM*	*General Electric*	*Hewlett-Packard*
All Companies	78.6%	38.1%	24.2%
All Industrials	78.6	47.9	26.5
Industrials by Size			
$2 bil or more	88.1	57.6	25.4
$1-1.9 bil	92.0	48.0	20.0
Under $1 billion	50.0	31.3	31.3
All Non-Industrials	78.6	26.5	21.4

Results do not add to 100% due to multiple responses.

New Program Decisions

Decisions about new employee programs are shared with line departments. Nine of ten new HR programs are initiated jointly by human resources and line departments; 8 percent are started by human resources; and a mere 1 percent arise from line departments.

New Programs	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
Joint HR/line decision	90.8%	89.5%	88.5%	96.7%	85.7%	92.1%
HR decision	7.7	9.0	8.2	3.3	14.3	6.5
Line decision	1.5	1.5	3.3	—	—	1.4

All totals equal 100%.

New Programs Initiated—Last Two Years

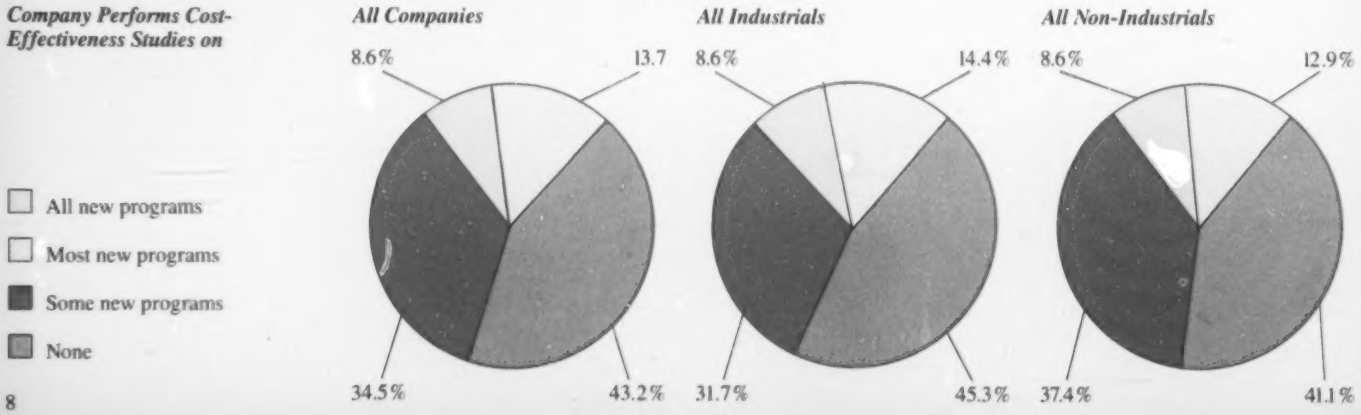
Because CEOs in a recent Heidrick and Struggles study viewed productivity improvement as the most important step in enhancing the competitiveness of American business in world markets, HR chiefs were asked about measures their organization has taken in the last two years. More than eight in ten industrials (83 percent) and non-industrials (80 percent) improved communications; the great majority in both groups assess the impact of this effort as above expectations or about as expected. Tied for first place among non-industrials are incentive awards. Quality circles have been instituted by more industrials than non-industrials, but nearly half of the latter have also established quality circles. About one-third of both groups have initiated job enrichment programs and flexible job assignments.

Impact of Measures Taken in Last Two Years To Improve Productivity	*Improved Communications*	*Quality Circles*	*Incentive Awards*	*Job Enrichment*	*Flexible Job Assignments*	*Additional Job Training*
Industrials						
%Affirmative	82.5%	65.0%	61.5%	34.3%	30.1%	6.3%
Above expectations	36.4	29.0	25.0	18.4	18.6	66.7
About as expected	57.7	53.8	63.6	57.1	58.1	22.2
Below expectations	5.9	17.2	11.4	24.5	23.3	11.1
	All totals equal 100%.					
Non-Industrials						
%Affirmative	80.1%	46.1%	80.1%	31.9%	30.5%	5.7%
Above expectations	23.9	12.3	15.9	6.7	16.3	50.0
About as expected	69.0	61.5	77.9	77.7	67.4	37.5
Below expectations	7.1	26.2	6.2	15.6	16.3	12.5
	All totals equal 100%.					

Cost Effectiveness Studies of New Programs

More than half of all respondents (57 percent) have performed cost effectiveness studies of new programs, but few measure all or most. The likelihood of such studies, however, correlates to workforce size. Companies with the largest workforces are somewhat more likely than average to have measured the cost impact of new programs.

Company Performs Cost-Effectiveness Studies on



Responsibilities

The chief HR officer's scope of responsibilities generally relates to corporate needs and external challenges. It confirms his participation in higher management and his diminishing administrative function.

Human resources departments at industrials and non-industrials have similar areas of responsibilities, with a few exceptions related to the nature of the organization's business. EEO compliance heads the list for both, followed closely by benefits planning and administration, and lower- and mid-management compensation. Succession planning is a responsibility within the HR chief's purview at 89 percent of the industrials and 80 percent of the non-industrials.

In general, industrial HR chiefs report increased emphasis on higher management matters and lessened responsibility for hourly, supervisory, and non-supervisory personnel activities.

Areas of Responsibility Residing in HR

	Industrials	*Non-Industrials*
Equal employment opportunity compliance	99%	97%
Benefits planning and administration	97	97
Lower- and mid-management compensation	96	97
Management training and development	93	92
Succession planning	89	80
Lower- and mid-management recruitment	88	92
Organizational development	87	81
Senior management recruitment	86	89
Senior management compensation	85	87
Attitude surveys	85	86
Medical programs	82	80
Professional recruitment	81	89
Manpower forecasting and planning	81	77
Hourly and non-supervisory compensation	75	91
Employee services	72	82
Contract negotiations	68	39
Hourly and supervisory training and development	64	73
Hourly and non-supervisory recruitment	63	81
Grievance handling	56	56
Safety and OSHA compliance	55	43
International industrial relations	50	26
General administration	48	57
Employee publications	46	46
Executive security	44	20
Human resources accounting	43	59
Plant employee and community relations	41	26
Plant security	32	13
Plant location and relocation planning	31	20
Community relations	22	14
Political activities and contributions	19	11
Public affairs	11	6
Investor relations	4	2
Facilities administration	4	3
Operations resources	2	2

Areas Demanding Most Time in 1984

The typical chief human resources executive expects compensation will demand the most time this year (90 percent). Benefits planning and administration ranks second (74 percent), and training and development third (52 percent). Succession planning is fourth (44 percent), followed by organizational development (43 percent).

Areas Demanding Most HR Time

	Industrials	*Non-Industrials*
Compensation	86%	94%
Benefits planning and administration	73	76
Training and development	55	59
Succession planning	53	35
Organizational development	45	40
Recruitment	27	48
Labor relations	42	24
EEO compliance	16	21
General administration	17	19
Manpower forecasting and planning	15	19

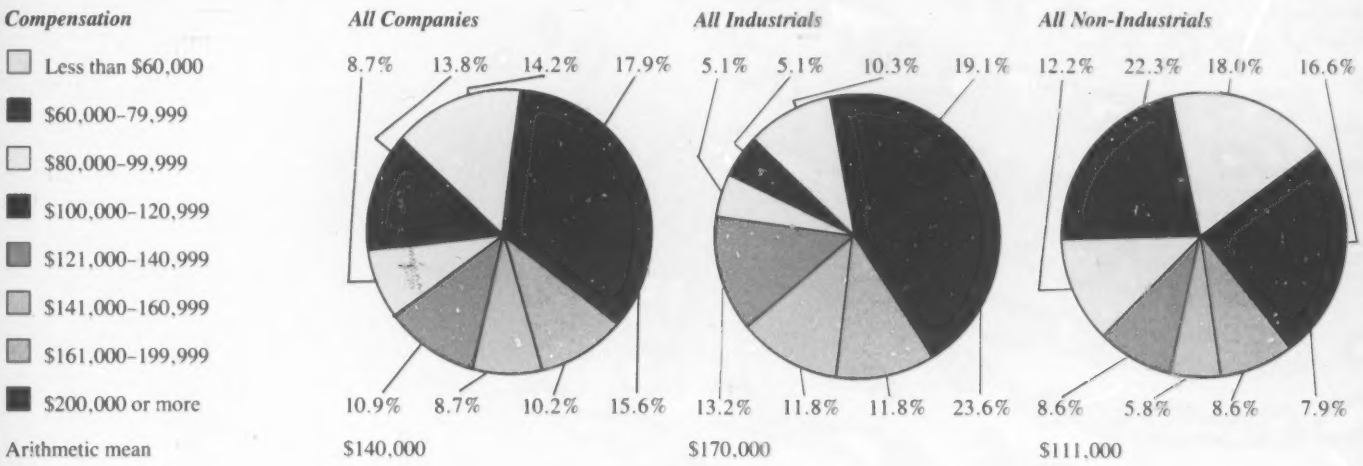
Compensation

Increased responsibilities and elevated stature bring increased rewards. Human resources chiefs are now well compensated for their larger corporate role, although amounts vary considerably by type and size of company. The typical chief HR officer of the premier-size industrial earns $217,000 in salary and bonus, while his counterpart in the smallest industrial earns $130,000 or some 40 percent less. Nevertheless, the average for all industrial HR chiefs has jumped 114 percent since the 1977 study.

The spread widens between the largest and smallest in workforce size. Average annual compensation is $199,000 for HR chiefs at firms with 20,000 or more employees, but only $99,000 at companies with fewer than 10,000 employees.

Cash compensation varies by region of the country as well. The typical HR officer on the East Coast earns $163,000, compared to $103,000 in the South, $124,000 at Western companies, $134,000 in the Southwest, and $136,000 at Midwestern firms.

By comparison, a 1981 study of chief financial officers reported an average annual cash compensation of $146,000.



	All Companies	All Industrials	All Non-Industrials
Arithmetic mean	$140,000	$170,000	$111,000

Perquisites

Of the perquisites granted to HR chiefs, only one is widespread. Nine of ten of the industrials grant stock options, compared to 79 percent seven years ago. Two-thirds of the non-industrials provide stock options. At least half of the industrials provide three other special benefits to these senior executives: use of a company car, deferred compensation, and financial counseling. A similar proportion of non-industrials grants a company car and deferred compensation. The larger the workforce, the greater the number of perks offered by at least half of the companies.

Seven years ago, chief personnel officers of industrial firms received fewer perks. More frequently reported now are all four of the most popular perks, as well as stock purchase plans (up from 33 percent), performance shares (up from 17 percent), management contracts (up from 3 percent), and low-cost loans (insignificant then).

Perquisites	All Companies	All Industrials	Industrial by Size			All Non-Industrials
			$2 bil or more	$1-1.9 bil	Under $1 bil	
Stock options	77.7%	89.5%	92.3%	87.5%	86.7%	65.5%
Automobile	50.7	49.7	44.6	40.6	62.2	51.8
Deferred compensation	50.7	49.7	56.9	53.1	35.6	51.8
Extra life insurance	47.9	46.9	58.5	34.4	40.0	48.9
Financial counseling	42.2	51.0	69.2	34.4	37.8	33.1
Stock purchase plan	39.4	42.0	46.2	46.9	33.3	36.7
Town club membership	33.0	34.3	44.6	37.5	17.8	31.7
Performance shares	24.8	29.4	32.3	43.8	15.6	20.1
Country club membership	24.1	28.0	33.8	15.6	28.9	20.1
Low-cost loans	12.8	5.6	9.2	3.1	2.2	20.1
Management contract	8.5	7.7	12.3	3.1	4.4	9.4
Other	9.6	5.6	4.6	–	11.1	13.7

Results do not add to 100% due to multiple responses.

Years with Present Company

On the average, the chief HR executive has been with his company more than twice as many years as he has held his position.

Officers at industrial firms report longer tenure on both scores than their counterparts at non-industrials. For industrials, the mean number of years as department chief has risen to 6.48 from 4.7 in 1977. Tenure with a company relates to company size, in terms of both sales and workforce, and to geographic location. Tenure in the position varies more by location. HR chiefs in the West have been with their company and in their position for fewer years, on average, than those in any other region.

Years with Present Company	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
5 or fewer	31.1%	26.1%	20.1%	28.1%	31.8%	36.2%
6–14	28.6	31.7	33.8	28.1	31.9	25.5
15–24	19.4	19.7	20.0	21.9	18.2	19.1
25–29	9.9	7.7	9.2	9.4	4.5	12.1
30 or more	11.0	14.8	16.9	12.5	13.6	7.1
	All totals equal 100%.					
Arithmetic mean	13.70	14.94	16.06	14.84	13.57	12.45

Years in Present Post	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
5 or fewer	65.1%	56.3%	53.9%	68.7%	50.0%	74.2%
6–9	16.7	21.1	27.7	6.3	22.7	12.2
10–14	9.3	13.4	9.2	12.5	20.5	5.0
15 or more	8.9	9.2	9.2	12.5	6.8	8.6
	All totals equal 100%.					
Arithmetic mean	5.75	6.48	6.95	5.63	6.45	5.00

Experience in Other Functions

Approximately two-thirds of human resources heads have had experience in other functions. Manufacturing/operations is most commonly reported by one in four officers of industrials, and sales/marketing preceded HR roles for three in ten of the non-industrial executives.

Experience in Other Functions	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
None	33.0%	33.8%	26.2%	35.5%	41.9%	32.1%
Manufacturing/operations	24.8	25.7	27.9	22.6	25.6	23.9
Sales/marketing	24.1	18.4	19.7	16.1	18.6	29.9
Finance/accounting	15.9	16.9	14.8	19.4	18.6	14.9
Legal	9.6	13.2	19.7	9.7	7.0	6.0
Engineering/research	7.0	8.1	9.8	3.2	9.3	6.0
General management	3.3	2.9	3.3	6.5	–	3.7
All other	14.9	14.0	13.1	16.1	14.0	15.7

Results do not add to 100% due to multiple responses.

Number of Employers

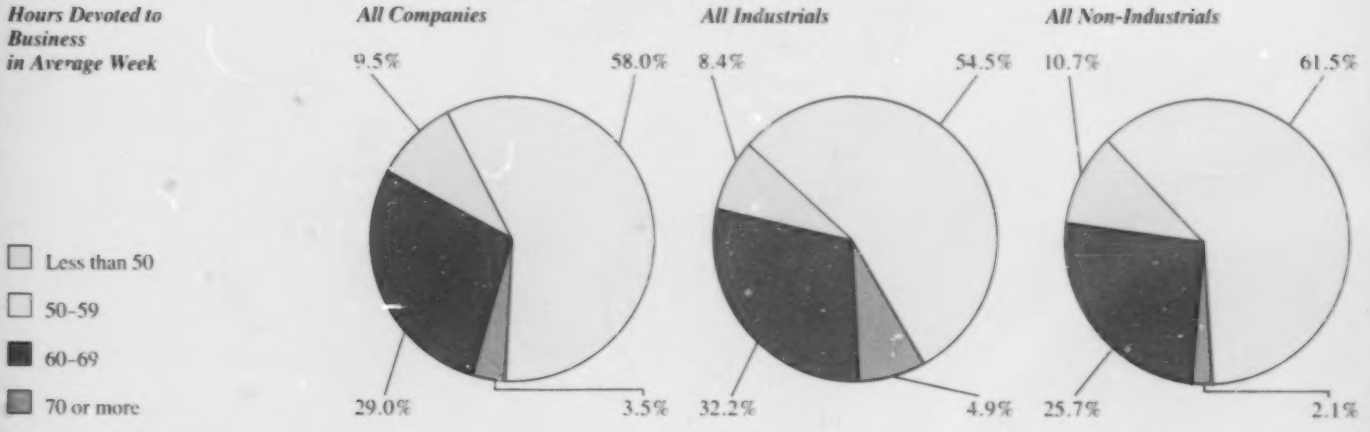
Mobility is increasing. Nearly six in ten of all respondents have had three or more employers during their careers. The typical industrial HR chief today has had 3.3 employers, compared to 2.3 seven years ago. Mobility is highest among HR chiefs at companies with the largest workforces (20,000 and more employees) and at industrials with less than $1 billion in sales. The typical senior HR executive in both categories has had an average of 3.42 employers.

Number of Employers	*All Companies*	*All Industrials*	*All Non-Industrials*
One	18.0%	17.3%	18.7%
Two	24.1	25.2	23.0
Three	25.2	23.0	27.3
Four	15.5	17.3	13.7
Five	8.6	11.5	5.8
Six or more	8.6	5.7	11.5
	All totals equal 100%.		
Arithmetic mean	3.23	3.32	3.14

Hours Devoted to Business Weekly

Like many other senior corporate officers, human resources chiefs rarely work 40-hour weeks. The majority in all categories devote between 50 and 59 hours a week to business, including entertainment and travel, but excluding commuting.

Hours Devoted to Business in Average Week



Personal

The typical chief human resources executive is male, born in the Midwest, 48.5 years of age, and married to his first spouse.

HR chiefs of industrials are on average four years older than chiefs of non-industrials, and chiefs at companies with the largest workforces are also four years older than those at firms with the smallest workforces.

More than half of all chief human resources officers (53 percent) have earned advanced degrees, with one in five holding an MBA. Compared to chief executive officers, chief financial officers, and chief international officers, human resources executives are somewhat better educated. Only chief technical officers exceed HR chiefs in education. Business was most frequently their undergraduate major.

Place of Birth	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
East	34.9%	35.4%	33.3%	40.0%	34.1%	34.3%
Midwest	41.7	38.7	41.7	20.0	46.4	44.8
South	9.6	11.0	10.0	16.0	9.8	8.2
Southwest	5.7	7.1	6.7	16.0	2.4	4.5
West	5.4	4.7	5.0	–	7.3	6.0
Foreign	2.7	3.1	3.3	8.0	–	2.2

All totals equal 100%.

Sex	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
Male	98.2%	99.3%	100%	100%	97.7%	97.1%
Marital Status						
Married to first spouse	77.3	81.1	76.9	81.3	86.7	73.5
Divorced or widowed and remarried	17.0	14.7	15.4	15.6	13.3	19.3
Single	5.7	4.2	7.7	3.1	–	7.2

All totals equal 100%.

Age	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
39 or younger	12.0%	6.3%	3.1%	3.1%	13.3%	17.7%
40–49	39.1	35.0	29.2	37.5	40.0	43.2
50–59	41.5	48.2	53.9	56.3	35.6	34.8
60 or older	7.4	10.5	13.8	3.1	11.1	4.3

All totals equal 100%.

Highest Educational Attainment	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
No degree	3.2%	2.8%	1.5%	–	6.7%	3.6%
Bachelor's degree	43.7	39.1	32.3	40.6	48.8	48.6
MBA	21.0	21.0	20.0	28.1	15.6	21.0
Law degree	13.2	18.9	23.1	18.8	13.3	7.2
Other master's or professional degree	14.9	14.0	15.4	9.4	15.6	16.0
Doctorate	4.0	4.2	7.7	3.1	–	3.6

All totals equal 100%.

Undergraduate Major	*All Companies*	*All Industrials*	*Industrial by Size* $2 bil or more	$1-1.9 bil	Under $1 bil	*All Non-Industrials*
Business	37.4%	31.4%	23.1%	35.4%	39.4%	43.4%
Liberal arts	12.9	15.0	10.8	19.3	18.6	10.9
Psychology	11.2	10.7	15.4	6.5	7.0	11.6
Economics	9.0	10.0	13.8	9.7	4.7	8.0
Engineering	6.8	9.3	12.3	6.5	7.0	4.3
Education	4.0	2.9	3.1	–	4.7	5.1
Political science	4.0	5.0	7.7	6.5	–	2.9
Other	14.7	15.7	13.8	16.1	18.6	13.8

All totals equal 100%.

Comments from Chief HR Officers on the Last Five Years

"From no clout, little authority, and limited support to extensive clout, adequate authority, and maximum support."
Vice president of a multi-billion-dollar Eastern industrial

"(The human resources function has) moved steadily from reactive to proactive."
Senior vice president of a multi-billion-dollar Eastern industrial

"Most significantly, the human resources chief has become a leader of change, in terms of both productivity and employee involvement."
Vice president of a multi-billion-dollar Midwestern industrial

"The position is now used as a career broadening element for fast-track executives."
Senior vice president of Southern commercial bank

"I believe that top operating (line) management people are beginning to realize that better management of its people is critical to further success of American business. Therefore, changes in expectations, demands for creative approaches to old problems, and increased exposure have occurred."
Vice president of an Eastern industrial

"From a passive or maintenance function to an active role in organizational planning and decision-making. The job moved from an internal, inward view to external factors influencing society and business."
Senior vice president of Midwestern commerical bank

"Has gone from a traditional personnel role to a senior level, highly credible partner with line management."
Vice president of a Midwestern diversified services company

"The HR function has been integrated into the overall business planning of the company. Rapid diversification has elevated the HR function into a key planning role."
Vice president of an Eastern diversified financial services firm

"My appointment to the position was (made) specifically to change the basic course of HR in the organization from a labor relations fire-fighter to a long-range planning and design counselor participating in the actual management of the business."
Vice president of a Western industrial

Comments from Chief HR Officers on the Next Five Years

"Participative management will be the trend of the future."
Vice president of a Midwestern industrial

"Traditionally, the HR chief has played a limited role in business decisions and planning. I feel this will change dramatically over the coming years, with an increasing interrelationship between the HR function and business planning."
Vice president of an Eastern diversified financial services firm

"Will become #1 change agent in corporation."
Senior vice president of Southern commerical bank

"More and more emphasis on meeting corporate and business units' strategic needs, which vary widely in this corporation. Development of compensation (reward and recognition) systems for the 90's and beyond to meet global competition. More participative programs to obtain real improvement in quality and productivity."
Vice president of multi-billion-dollar Eastern industrial

"Assimilation into the corporate management team as it relates to long-term business strategy."
Vice president of multi-billion-dollar Eastern industrial

"Will utilize more sophisticated methods to capture, analyze employee data and develop programs for the trends. Will require more consulting with all levels of management and more knowledge of new ways to provide benefits with cost containment."
Senior vice president of Southern commerical bank

"Concentration on helping the organization adjust to comparative worth, demise of employment at will, and changing job structure resulting from automation or computerization."
Vice president of a Midwestern industrial

"Clearly more accountability for effectively using resources, for managing benefits and the escalating costs of compensation. Meeting needs of changing workforce, including 'aging of workforce'."
Director of multi-billion-dollar Midwestern retailing company

"Continuation of shift to proactive employee relations programs."
Senior vice president of Eastern transportation firm

"Stronger input and role in strategic planning. Transition from centralized personnel division to decentralized with small corporate personnel staff involved primarily in plans and policies."
Senior vice president of Southern commercial bank

About this study

Human resources management is becoming a critical element of corporate policymaking, planning and control. To measure the scope and impact of this function during its transition from implementor to decision-maker, Heidrick and Struggles undertook a survey of the chief human resources executives during the summer of 1984. The findings confirm the growing prestige and influence of this function.

A total of 894 of the nation's 1000 largest industrials and non-industrials, as ranked by *Fortune* magazine, were invited to participate. This population is considerably broader than the firm's first study of chief personnel officers in 1977, which covered the 500 largest industrial companies. The non-industrial category includes diversified services, banks, financial services, insurance, retailing, transportation, and utilities. Replies to a single mailing were received from 284 organizations, a response rate of 31.8 percent. Companies are grouped by type of business, sales volume, and number of employees. Where appropriate, findings are compared with those from the previous study and the firm's surveys of other corporate officers.

Heidrick and Struggles deeply appreciates the cooperation of the executives who devoted their time and attention to helping us make this useful information available.

About Heidrick and Struggles

For more than three decades, Heidrick and Struggles has devoted its full resources and capabilities to providing superior executive search services worldwide. Client organizations within every one of the world's major industries have retained Heidrick and Struggles to identify, evaluate, and attract high caliber executive talent for specific opportunities within upper and middle management and on boards of directors. One of the best-known and most experienced in executive selection, the firm comprises more than 70 professionals, supported by a sophisticated information base in a network of 14 offices located in major business centers in the United States and Europe.

To contribute to the knowledge available to senior management, Heidrick and Struggles periodically publishes surveys of significant trends. Profile studies of incumbents in key management positions have determined the nature of change in corporate functions, as well as the changing personal requirements these trends demand. The firm has surveyed board practices extensively, with current studies examining trends in director selection. A complete list of publications appears on the back cover.

A list of Heidrick & Struggles publications appears below. Copies are available upon written request to our Chicago office.

Human Resources: Function in Transition (1984) ***$20***
Profile of a Chief Executive Officer (1984) ***$20***
Director Data (1982) ***$10***
Mobile Manager (1982) ***$5***
Research and Development (1982) ***$10***
Profile of a Chief Financial Officer (1981)
Profile of a Chief International Officer (1981)
Profile of a Bank and Bank Holding Company Chief Executive Officer (1980)
Profile of a Woman Officer (1980)
Profile of a Black Executive (1979)

The Changing Board $20
A survey of chairmen concerning boards of directors (originated in 1966, issued annually)

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6 Rond Point des Champs-Elysee, 75008
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The Changing Board

Heidrick and Struggles

Consultants in Executive Search

Findings of a study of the chairmen of boards of directors of America's 1,000 largest industrial and service companies.

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Introduction

It seems quiet out there. This was the forecast in our *Changing Board* study last year. However, the ripples of change that were discussed in 1984 have turned into waves that are placing boards in anything but tranquil waters. Some issues, such as director compensation for increasing time commitments, continue to cause surface ripples. But they pale in comparison to the subsurface churnings that are occurring this year.

Proof for this statement can be found in today's headlines and courtrooms. During the past year, irate shareholders sued Walt Disney and its directors in the wake of a greenmail transaction that dropped stock prices $20 almost overnight. The FDIC required a restructuring of the board of directors of Continental Illinois after pouring $4.5 billion in aid into the bank. And ten former directors of Trans Union may be held liable for selling their railroad-equipment leasing company too hastily and for too little money. These are not isolated cases, and they bring to the surface a series of issues that threaten to engulf more boards as time goes on.

Even the age-old question of balancing independence against responsibility takes on new significance in the context of hostile takeover bids by tycoon shareholders. So does the issue of juggling the financial interest of shareholders with short-and-long-term company gains, which our respondents ranked as their current primary concern. Then there is the matter of executive golden parachutes.

Today, many shareholders are asking, "Why should we agree to pay executives large sums of money after their service has ended?" A majority of the board chairmen we surveyed—51.4 percent—agree with them. They believe that boards should not erode their independence by providing golden parachutes to top management. However, this figure does not represent an overwhelming majority. Clearly, the issue remains divisive.

So, too, is the question of independence in regard to inside management directors versus outside directors. Like the closely related issue of increasing board influence on corporate governance, these concerns continue to fuel discussion. Chairmen in this study expressed split views on both issues, averaging 44 percent on each side, with the remainder undecided.

The controversy surrounding these issues is far from over. As captains of their ships, board chairmen will have to navigate through rough waters—waters fraught with change in the year ahead. Watching their progress will be more informed shareholders whose evolving concern with corporate governance will place new demands on the activities of the chairmen of corporate America.

Gerard R. Roche
Chairman
Heidrick and Struggles

Highlights

Key findings of this study of the *Fortune* 1,000 companies.

- ☐ The top concern of boards is financial results, followed by strategic planning and managerial succession.
- ☐ The average board comprises 13.7 members.
- ☐ Independent directors represent 63.2 percent of board membership.
- ☐ White male directors account for 93.6 percent of board membership.
- ☐ Less than half of boards (47.1 percent) report all white male directors.
- ☐ More than 37 percent of outside directors attending all full board meetings receive $21,000 or more annually, exclusive of committee service.
- ☐ Outside director compensation has increased 9.7 percent.
- ☐ Chairmen's expectations of time commitment have increased 17.6 percent.
- ☐ Eleven percent of the organizations compensate management directors for board service.
- ☐ Sixty-eight percent of companies have a retirement policy for directors, usually based on age 70 or 72.

Size of Board

As in recent years, board size continues to run about 13 to 14 directors. Non-industrials average somewhat higher than industrials, whose board size increases with sales volume. Geographical region and proportion of independent directors show little variation in relation to board size. All white male boards average 11.6 members compared to 15.5 members on heterogeneous boards.

Number of Directors	*All Companies*	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 B or more	$1–1.9 B	$999 M or less	
5–9	12.2%	13.4%	1.4%	17.4%	23.5%	10.8%
10–14	51.6	60.4	56.1	63.0	63.3	41.1
15–19	27.2	23.5	37.0	17.4	13.2	31.6
20 or more	9.0	2.7	5.5	2.2	—	16.5
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	13.7	12.7	14.3	12.3	11.1	14.8

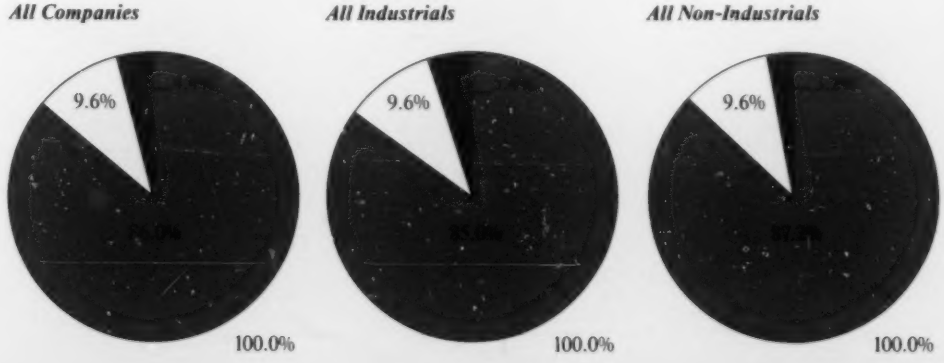
Chairman as Chief Executive Officer

The chairman of the board of directors also serves as chief executive officer in 86 percent of the *Fortune* companies. This figure reflects a 3.4 percent increase in dual responsibility over last year. Moreover, this relatively high percentage holds steady across geographical areas and across all sizes and types of companies.

Approximately 80 percent of the chairmen have served 10 years or less in that position.

Chairman's Role in Management

- ■ CEO
- ☐ Not CEO, active in company management
- ■ Not active in company management



Director Population by Race and Sex

While 93.6 percent of board members are white males, that proportion has declined from 94.4 percent last year. The percentage of organizations reporting all-white male directors has also declined from 51.3 percent to 47.1 percent.

The percentage of white males appears to be unaffected by the balance of independent directors and other-than-independent directors. Geographically, the percentages of white males range from 92.1 percent in the West to 97.7 percent in the Southwest.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 B or more	$1–1.9 B	$999 M or less	
White Males	93.6%	94.9%	92.6%	95.8%	97.5%	92.2%
White Females	3.9	3.3	4.1	3.1	2.3	4.6
Black Males	1.6	1.0	1.7	.7	.1	2.3
Black Females	.5	.6	1.1	.2	–	.4
Hispanic Males	.2	.1	.3	–	.1	.3
Hispanic Females	.0	.0	.1	–	–	–
Other Males	.1	.1	.1	.2	–	.1
Other Females	.1	–	–	–	–	.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

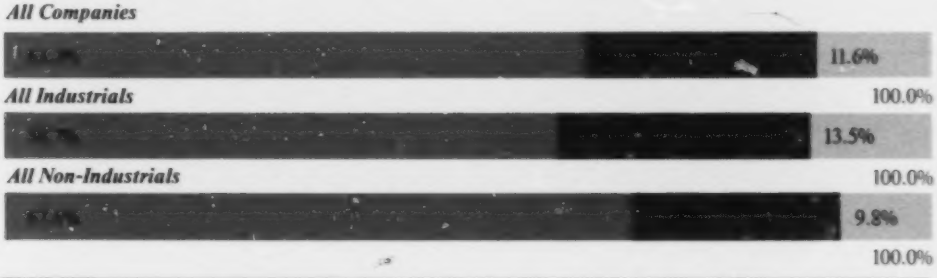
Composition of Board

Independent outside directors continue to strengthen their already dominant position on boards. Again, the proportion of independent directors increases with the size of industrials. But the proportion of independents is still highest among non-industrials. Board composition holds steady across geographical regions.

Boards with other-than-white male directors have a greater proportion of independents (66.6 percent) compared to boards with all-white male directors (58.3 percent).

Type of Director

- Independent
- Management
- Affiliated Non-Management



Number of Board Meetings in 1985

The average number of board meetings slated for 1985 dropped slightly from last year to 7.8, compared with 8.0 for 1984. After a trend to increase meeting frequency, this slight drop may indicate only a leveling off rather than an actual decline.

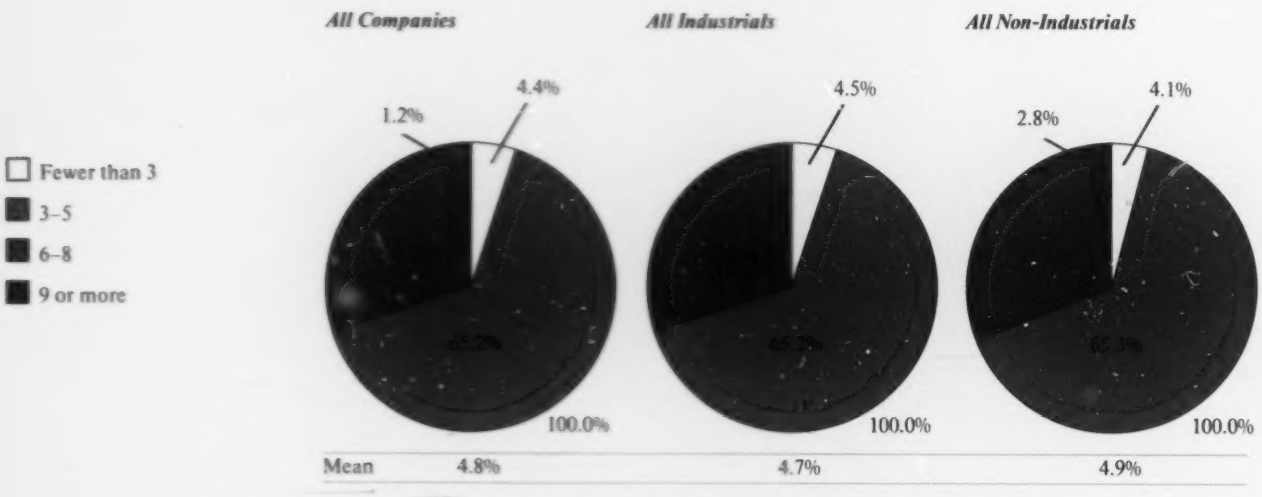
Despite the decrease, meeting frequency continues to correlate with size of industrial company. As expected from previous survey results, boards with a majority of independent directors meet more often than those with more other-than-independent directors.

Number of Meetings	*All Companies*	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 B or more	$1–1.9 B	$999 M or less	
1–4	14.6%	11.2%	6.3%	5.0%	21.1%	18.8%
5–9	50.0	56.3	50.8	60.0	59.6	42.2
10–14	35.4	32.5	42.9	35.0	19.3	39.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	7.8	7.7	8.5	8.0	6.7	8.0

Number of Board Committees

Boards of directors average five committees. The number of committees tends to increase slightly from year to year.

Among the committees added by 12 percent of organizations over the past year, Nominating, Finance, and Strategic Planning accounted for slightly less than half of the additions.



	All Companies	All Industrials	All Non-Industrials
Mean	4.8%	4.7%	4.9%

Prevalence of Board Committees

Among committees studied over the years, only the presence of Stock Options Committees has decreased significantly. The Pension/Retirement Committee has also varied. After increasing from 1976 to 1980, it has now decreased back to its 1976 level.

In keeping with the more extensive committee structure of the largest industrials, committees such as Nominating, Finance, and Social Responsibility are more prevalent than in other organizations. However, Strategic Planning is more frequently found in smaller industrials than in other organizations.

	Proportion of All Companies With Committee		
	1984	1980	1976
Audit	99.4%	99.0%	93.0%
Compensation/Personnel	93.4	92.2	85.0
Executive	83.2	82.3	79.9
Nominating	66.8	56.1	9.2
Finance	43.1	33.7	33.5
Pension/Retirement	25.9	31.4	25.3
Stock Options	15.3	29.4	43.5
Social Responsibility	13.8	13.6	NA
Strategic Planning	6.0	NA	NA
Executive Succession Planning	3.6	NA	NA
Research	2.1	NA	NA

Results do not add to 100% due to multiple responses.

Committee Membership Restrictions

Committee membership restrictions vary widely. The majority of organizations limits Audit Committee membership to independent directors. More than 70 percent of the organizations limit Compensation/Personnel to outsiders, both independent and affiliated non-management.

Nominating Committee memberships have no limitation in half the organizations. Since a large percentage of companies have established a Nominating Committee this past year, this change may account for the increased proportion in the "no limitation" group.

Audit	*All Companies*	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 B or more	$1–1.9 B	$999 M or less	
Outside directors—independent only	57.5%	55.2%	58.6%	53.7%	52.5%	60.1%
Outside directors—both independent and affiliated non-management	30.3	32.6	31.4	31.7	34.4	27.7
Majority of outside directors—both independent and affiliated non-management	1.9	2.9	1.4	4.9	3.3	.7
Majority of outside directors—independent only	1.2	1.7	1.4	—	3.3	.7
No limitation	9.1	7.6	7.2	9.7	6.5	10.8
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Compensation/Personnel						
Outside directors—independent only	42.4%	36.2%	39.7%	34.2%	33.3%	49.3%
Outside directors—both independent and affiliated non-management	30.8	35.0	39.7	39.5	25.9	26.1
Majority of outside directors—both independent and affiliated non-management	5.9	7.5	2.9	7.9	3.0	4.2
Majority of outside directors—independent only	5.3	6.9	4.4	2.6	13.0	3.5
No limitation	13.6	12.5	11.8	15.8	11.1	14.8
No such committee	2.0	1.9	1.5	—	3.7	2.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Nominating						
Outside directors—independent only	2.8%	2.4%	3.7%	3.3%	—	3.2%
Outside directors—both independent and affiliated non-management	4.0	4.0	3.7	—	7.3	4.0
Majority of outside directors—both independent and affiliated non-management	18.3	16.0	7.4	16.7	26.8	20.6
Majority of outside directors—independent only	16.3	15.2	14.8	13.3	17.1	17.4
No limitation	51.8	52.0	57.4	56.7	41.5	51.6
No such committee	6.8	10.4	13.0	10.0	7.3	3.2
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Management Director Compensation for Board Service

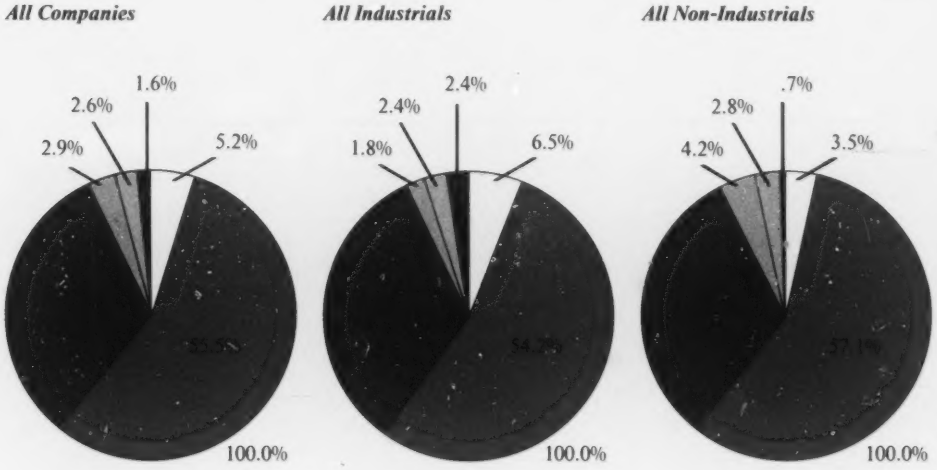
Management directors (officers of the corporation) receive compensation for board service from 11 percent of the companies. The practice is more common among small industrials and non-industrials, Southern companies, and boards that are white male and have other-than-independent directors.

Compensation is higher on average this year. While half still spend less than $8,000, the percentage of companies paying $12,000 or more has risen from 29 percent last year to 39 percent this year.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 B or more	$1–1.9 B	$999 M or less	
Yes	11.0%	7.0%	1.4%	6.5%	13.4%	15.8%
No	89.0	93.0	98.6	93.5	86.6	84.2
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Basis of Outside Director Compensation

Slightly less than 56 percent of companies pay outside directors per meeting fees for both full board and committee meetings, plus an annual retainer for board service. Another 32 percent provide these compensations and an additional annual retainer for committee service.



☐ Annual retainer only

In addition to annual retainer

■ Per meeting fees for both full board and committees

■ Retainer for committee service and per meeting fees for both full board and committees

■ Retainer for committee service and per meeting fees for full board meetings

■ Retainer for committee service and per meeting fees for committees

■ Per meeting fee for full board meetings

Annual Compensation of Outside Directors Attending All Full Board Meetings

Cash compensation to outside directors continues to rise. This year 52.7 percent of the firms are paying more; 44.5 percent are unchanged; and 2.8 percent are paying less than last year. The average increase is reported as 17.6 percent.

Excluding pay for committee service, the average outside director pay amounts to $19,114 annually. The highest paid directors are in the East, earning $21,295. The lowest are found in the South, earning $16,799.

	All Companies 1984	1980	1976	*All Industrials* 1984	*All Non-Industrials* 1984
Less than $9,000	4.6%	22.5%	64.5%	2.2%	7.3%
$9,000–$11,999	5.2	25.4	17.5	3.3	7.3
$12,000–$14,999	12.4	20.2	11.6	10.1	15.2
$15,000–$17,999	17.9	11.8	6.4	20.7	14.6
$18,000–$20,999	22.7	13.7		20.7	25.2
$21,000–$23,999	13.9	4.1		15.6	11.9
$24,000 and more	23.3	2.3		27.4	18.5
	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	$19,114	NA	NA	$20,247	$17,772

Compensation of Most Highly Paid Independent Outside Director

The most highly paid outside director averaged $26,583 in 1984 for all board activities, compared with $23,671 in 1983.

The largest industrials paid $32,938, up slightly from $32,606 in 1983. In the lowest paying group, the smallest industrials paid $20,449, a significant increase from $17,720 in 1983.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 B or more	$1–1.9 B	$999 M or less	
Less than $15,000	8.6%	4.5%	–	2.3%	10.9%	13.4%
$15,000–$19,999	18.1	18.6	5.8	13.6	35.9	17.5
$20,000–$24,999	21.2	20.3	11.6	22.7	28.1	22.1
$25,000–$29,999	21.8	26.6	27.5	36.4	18.8	16.1
$30,000–$34,999	11.6	13.6	20.3	13.6	6.3	9.4
$35,000–$39,999	8.9	7.9	16.0	6.8	–	10.1
$40,000 or more	9.8	8.5	18.8	4.6	–	11.4
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	$26,583	$26,850	$32,938	$26,612	$20,449	$26,265

Average Compensation for Committee Service

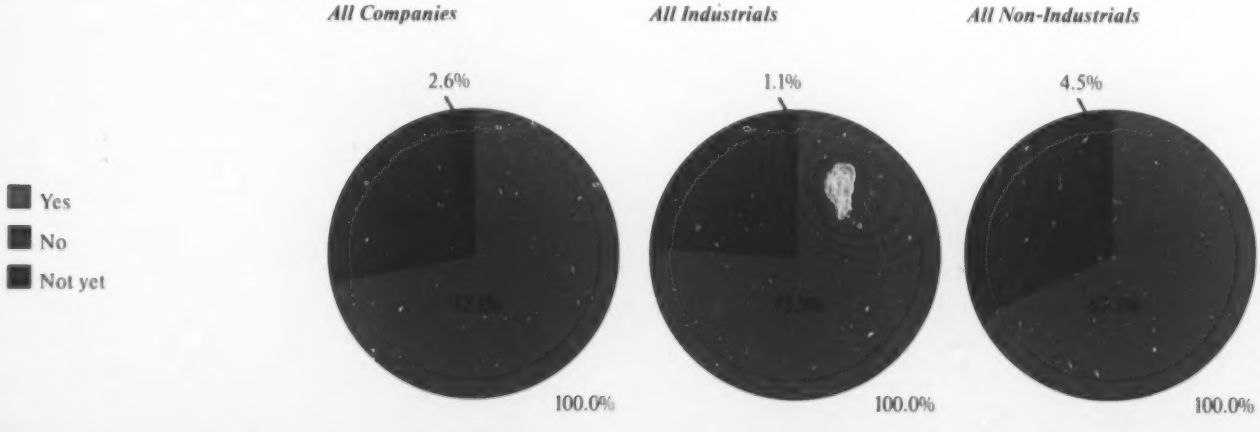
Although general trends in compensation for committee service are difficult to define, average compensation for industrials increases with size. Among selected committees, the highest pay is accorded chairmen and members of Audit, followed by Compensation/Personnel.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 B or more	$1–1.9 B	$999 M or less	
Audit						
Chairman						
Retainer	$2,434	$2,693	$3,908	$2,435	$1,241	$2,155
Meeting fee	599	665	813	612	556	521
Member						
Retainer	1,046	1,124	1,540	938	648	966
Meeting fee	575	635	771	571	538	507
Compensation/Personnel						
Chairman						
Retainer	1,958	2,304	3,431	1,930	914	1,573
Meeting fee	577	618	689	612	545	527
Member						
Retainer	895	985	1,473	938	239	799
Meeting fee	545	582	624	575	538	503
Executive						
Chairman						
Retainer	1,181	1,233	1,672	1,158	706	1,131
Meeting fee	436	521	690	470	411	352
Member						
Retainer	552	509	485	111	842	594
Meeting fee	528	552	634	515	498	506
Nominating						
Chairman						
Retainer	1,188	1,183	1,608	1,012	708	1,195
Meeting fee	563	603	691	591	512	509
Member						
Retainer	322	172	281	132	52	510
Meeting fee	571	581	660	558	510	559

Deferred Compensation for Outside Directors

An increasing number (72 percent) of these companies allow outside directors to defer compensation. Compared with the high percentage of "not yet" responses given a year ago, current responses indicate that many companies made this option available.

More than 70 percent of the companies that allow this deferral do so at retirement from the board.



Perquisites for Outside Directors

More than 96 percent of the companies provide D & O liability insurance for directors. While travel allowances and matching gifts are the only other perquisites offered by a majority of companies, the responses indicate a growing trend in perqs such as travel and accident insurance.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 B or more	$1-1.9 B	$999 M or less	
Travel allowance	58.1%	61.2%	60.8%	57.8%	64.1%	54.5%
Matching gifts	54.0	61.2	71.6	64.4	46.9	45.5
Travel insurance	46.9	50.8	62.2	48.9	39.1	42.3
Accident insurance	31.6	37.2	41.9	42.2	28.1	25.0
Life insurance	25.4	28.4	31.1	22.2	29.7	21.8
Product/service discount	10.6	12.6	12.2	6.7	17.2	8.3
Medical insurance	9.7	10.4	13.5	6.7	9.4	9.0
Stock options	2.1	2.2	1.4	–	4.7	1.9
Other	11.5	10.4	10.8	13.3	7.8	12.8
No perquisites	14.2	8.7	5.4	8.9	12.5	20.5

Results do not add to 100% due to multiple responses.

Retirement Policy for Outside Directors

The issue of retirement policy for outside directors seems to be undergoing significant change. Overall, the percentage of companies with a retirement policy has reversed its upward trend and decreased 2.6 percent. However, in the case of large and midsize industrials, 5.1 percent and 12 percent respectively, have added retirement policies. Others indicate a move in that direction with more "not yet" responses than last year.

In contrast, 4.3 percent fewer small industrials and 10 percent fewer non-industrials report retirement policies. In both groups, a very low percentage of "not yet" responses suggests a trend away from adding that benefit.

For 90 percent of the companies, age alone is the basis for retirement. Of that group, 61 percent designate age 70, and another 28 percent specify 72 as their retirement age.

	All Companies			*All Industrials*	*Industrials by Size*			*All Non-Industrials*
	1984	1983	1982	1984	$2 B or more	$1-1.9 B	$999 M or less	1984
Yes	68.4%	71.0%	66.7%	71.1%	77.3%	80.0%	58.2%	65.2%
No	30.1	26.8	30.0	26.7	20.0	15.6	41.8	34.2
Not yet	1.5	2.2	3.3	2.2	2.7	4.4	–	.6
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Retirement Income for Outside Directors

While only one-fourth of companies provide retirement income for outside directors, the responses indicate a marked increase (6.7 percent) in this benefit from last year. The increase is greatest among midsize industrials, a group that already led in offering retirement income.

As in the past, the basis for amount of payment is length of board service.

	All Companies	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 B or more	$1–1.9 B	$999 M or less	
Yes	25.6%	28.4%	26.4%	43.2%	20.9%	22.3%
No	73.2	70.0	72.2	54.5	77.6	77.1
Not yet	1.2	1.6	1.4	2.3	1.5	.6
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Chairmen's Expectation of Outside Directors' Time Commitment

Chairmen expect more time from their outside directors, up from an average of 14 days in 1983 to 17 days in 1984. While the time commitment increases with the size of industrials, non-industrials have increased their expectations by about five days.

Days per year	*All Companies*	*All Industrials*	*Industrials by Size*			*All Non-Industrials*
			$2 B or more	$1–1.9 B	$999 M or less	
Fewer than 10	20.5%	18.4%	9.2%	15.8%	30.0%	22.7%
10–14	32.8	35.6	27.7	36.8	43.3	29.9
15–19	20.5	19.6	21.5	31.6	10.0	21.4
20–29	18.3	16.6	27.7	7.9	10.0	20.1
30 or more	7.9	9.8	13.9	7.9	6.7	5.9
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	17.1	16.1	19.0	14.7	13.8	18.2

Objective, Quantitative Means of Evaluating the CEO

An increasing percentage of boards of directors are using an objective, quantitative means of evaluating the CEO. Of those, the overwhelming majority (85 percent) continue to measure the CEO's effectiveness according to annual and long-range corporate objectives.

Independent boards are more inclined to use such means of evaluation than non-independent boards.

	All Companies			*All Industrials*	*All Non-Industrials*	*Board Majority—1984*	
	1984	1983	1982	1984	1984	Independent	Non-Independent
Yes	36.4%	35.0%	27.1%	39.0%	33.3%	38.1%	33.3%
No	53.4	55.5	64.2	52.2	54.9	52.0	59.3
Not yet	10.2	9.5	8.7	8.8	11.8	9.9	7.4
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Current Concerns of the Board

The scores shown represent the mean ranking of each concern by participating chairmen; a score of 6.00 would indicate the concern typically ranked sixth among the concerns considered. The lower the score, the higher the average ranking of the concern.

	All Companies	*All Industrials*	*All Non-Industrials*
Financial results	1.85	1.94	1.75
Strategic planning	2.39	2.34	2.46
Managerial succession	3.03	2.88	3.21
Financing/capitalization	3.31	3.30	3.31
Public relations	3.42	3.59	3.25
Day-to-day operations	3.66	3.82	3.50
Mergers/acquisitions	3.86	3.81	3.90
Multinational issues	3.86	3.67	5.00
Corporate ethics	3.88	3.80	4.04
Top management performance/ compensation	3.97	4.00	3.96
Shareholder relations	4.02	3.86	4.18
Government relations	4.08	3.83	4.33

Views of Chairmen

	Agree	*Disagree*	*Undecided*
Outside directors should be required to own stock in their board company(ies)	75.8%	21.1%	3.1%
Boards should not erode their independence by providing golden parachutes to top management	51.4%	36.2%	12.4%
The influence of boards on corporate governance should increase	44.4%	44.7%	10.9%
America's largest publicly held companies should be required by law to have a majority of outside directors	41.9%	48.9%	9.2%
Director tenure should be shortened to meet the changing needs of organizations	17.9%	69.1%	13.0%
Director compensation should be tied to company profitability	10.7%	84.1%	5.2%
Boards should have more directors with non-business backgrounds	5.5%	87.5%	7.0%

About Heidrick and Struggles

For more than three decades, Heidrick and Struggles has devoted its full resources and capabilities to providing superior executive search services worldwide. Client organizations within every one of the world's major industries have retained Heidrick and Struggles to identify, evaluate, and attract high caliber executive talent for specific opportunities within upper and middle management and on boards of directors. One of the best-known and most experienced in executive selection, the firm comprises more than 70 professionals, supported by a sophisticated information base in a network of 14 offices located in major business centers in the United States and Europe.

To contribute to the knowledge of boards of directors, Heidrick and Struggles annually publishes this survey. The firm is pleased to add this publication to others it publishes to report trends of significance to directors and senior management.

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Publications

A list of recent Heidrick & Struggles publications appears below. Copies are available upon written request to our Chicago office.

Human Resources: Function in Transition (1984) ***$20***
Profile of a Chief Executive Officer (1984) ***$20***
Director Data (1982) ***$10***
Mobile Manager ((1982) ***$5***
Research and Development (1982) ***$10***
Profile of a Chief Financial Officer (1981)
Profile of a Chief International Officer (1981)
Profile of a Bank and Bank Holding Company Chief Executive Officer (1980)
Profile of a Woman Officer (1980)
Profile of a Black Executive (1979)

The Changing Board ($35)
A survey of chairmen concerning boards of directors (originated in 1966, issued annually)

The Search for Management
Services of an executive recruiting firm

Of specific European interest:

Chief Marketing Executive in the United Kingdom (1984)
Leiter Finanz-und Rechnungswesen Deutschland (1984)
The UK Chief Executive and His Outlook (1983)
Information Technology—The Management of Change in the UK (1982)
Leiter Personalwesen in Deutschland (1982)
Le Directeur Du Personnel Dan Les Benelux (1982)
Profile of a Chief Personnel Executive in the United Kingdom (1981)
La Mobilitia dell' Alta Direzione in Italia (1981)
Profil du Directeur du Personnel en France (1981)
Top Management in the UK Computing Industry (1980)
Profile of the Chief Financial Officer in the United Kingdom (1980)
Profile of a Chief International Officer (1980)
The Characteristics of Newly Appointed CEOs in the UK (originated in 1980, issued semi-annually)

Chief Executive Officer Data (issued annually)

The Search for Management in Europe
A general description of Heidrick and Struggles' activities in Europe

Mobile Manager

B4410-2.13-U

Heidrick and Struggles

Consultants in Executive Search

About This Study

In 1985 Heidrick and Struggles conducted its ninth survey of executives whose assumption of new leadership positions in major American business organizations was announced in the "Who's News" column of *The Wall Street Journal* during the second half of 1984.

The Wall Street Journal's "Who's News" column, which spotlights executive changes, covers news of chairmen and presidents of listed companies (excluding additional Over-The-Counter traded companies), regardless of size, or of privately held companies with sales volumes comparable at least to that of the 500th company on the *Fortune* list; vice presidents of the nation's 500 largest industrial companies; and vice presidents in subsidiaries, divisions or units, only if those businesses merit inclusion on the basis of their size alone.

This year questionnaires were sent to a sampling of individuals listed, both those moving within their own organizations (1,316) and those moving between companies (277). Responses were received from 545 or 34.2 percent of the sample selected. Where appropriate, comparisons are made between this year's respondents and participants in earlier studies.

Heidrick and Struggles is grateful to the executives who took the time and effort to make this study possible.

Findings of a study of executives whose assumption of new leadership positions in major American business organizations was announced in the "Who's News" column of *The Wall Street Journal* during the second half of 1984.

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Introduction

A "back to basics" movement is occurring in American business today, and the mobile managers responding to this survey subscribe to the tenets of leadership and hard work that form its core. They are achieving important milestones in their careers and, consequently, are optimistic about their professional growth. But unlike many of their predecessors, they have equally clear expectations about the quality of their personal lives that make them less willing to have their companies dictate the course of their future.

These executives support corporate loyalty as a reciprocal process. They believe that their organizations are concerned about corporate morale and professional growth. More than three-quarters of these managers agree that companies demonstrate loyalty to their people by promoting from within. That same percentage also maintains that organizations are investing more time and money in what they believe to be their greatest asset—their employees.

For their part, our respondents invest long hours in their jobs and share their knowledge and experience with others in their companies. They also adhere to the traditional values of organizational life. Despite the fact that more than half of these executives possess one or more advanced degrees, only 5 percent mention educational credentials as a significant factor in their success. Instead they point to the old-fashioned virtues of leadership, accomplishment and plain hard work as the criteria for upward mobility.

Yet subscribing to these values does not stop these managers from demonstrating a stronger strain of individualism than previous respondents. Just 13 percent define corporate loyalty as "giving 100 percent of your effort and dedication to the company." Only half indicate that they would be willing to relocate for their organizations. And when given a choice of the ideal employer for which to work, less than one-fourth pick their current firms.

The independence being exercised by these executives is another step in the evolution from an exclusive focus on corporate well-being to one that also includes individual welfare. The key word may be "control." Taking more control of their own lives, today's mobile managers have good reason to express overwhelming satisfaction with their careers.

David R. Peasback
President/CEO
Heidrick and Struggles

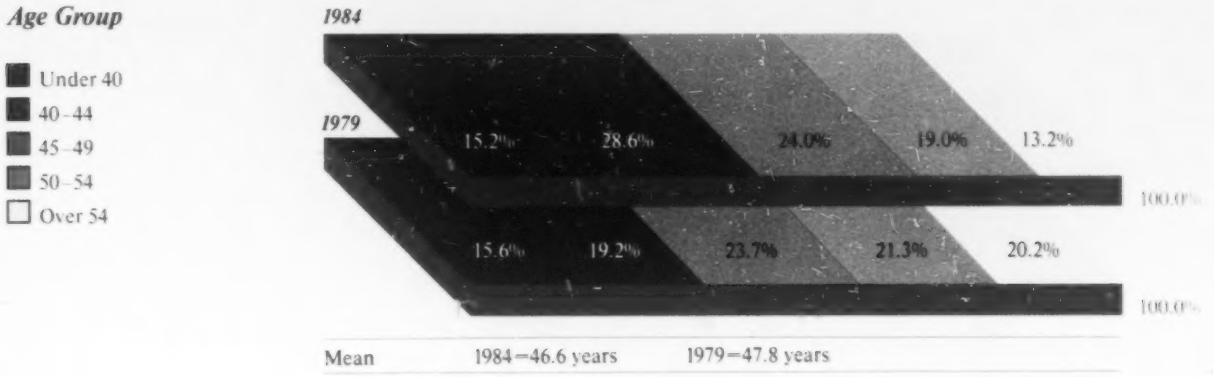
Highlights

The typical mobile manager in our study:

- ☐ Is a 47-year-old white male, who is married to his first spouse
- ☐ Earns annual cash compensation of $213,000
- ☐ Holds one or more advanced degrees
- ☐ Has worked for an average of three employers
- ☐ Receives a 28.3 percent increase in salary and bonus when moving to his new position
- ☐ Devotes 58 hours a week to his work and spends up to 25 percent of the time on business travel
- ☐ Holds the view that companies are more likely to promote individuals from within rather than seek "new blood"
- ☐ Believes that corporations are investing increasing amounts of time and money in their greatest asset--their employees
- ☐ Thinks that outside directors are taking a more effective role in corporate governance

Age

The influx of the "baby-boom" generation has not yet reached the ranks of our mobile managers. While executives moving to new positions in 1984 are a year younger than their counterparts were in 1979, not unexpectedly, the greatest increase is in the 40–44 age group (9.4 percent). The percentage of respondents who are 50 or older decreased by 9.3 percent, indicating more upward movement occurring at younger ages than five years ago.



Mean	1984=46.6 years	1979=47.8 years

Sex

Men still overwhelmingly occupy the ranks of mobile managers responding to this survey. The percentage of women respondents named to new executive positions (1.8 percent) shows little change in five years, having risen only a fraction of a percentage point. Naturally, the greatest concentration of women executives is in the under-40 age group. Therefore, these managers have the time and opportunity to reach the top levels of management.

	1984	*Under 40*	*40–49*	*50–59*	*60+*	*1979*
Male	98.2%	93.9%	98.2%	100.0%	100.0%	98.9%
Female	1.8	6.1	1.8	0.0	0.0	1.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

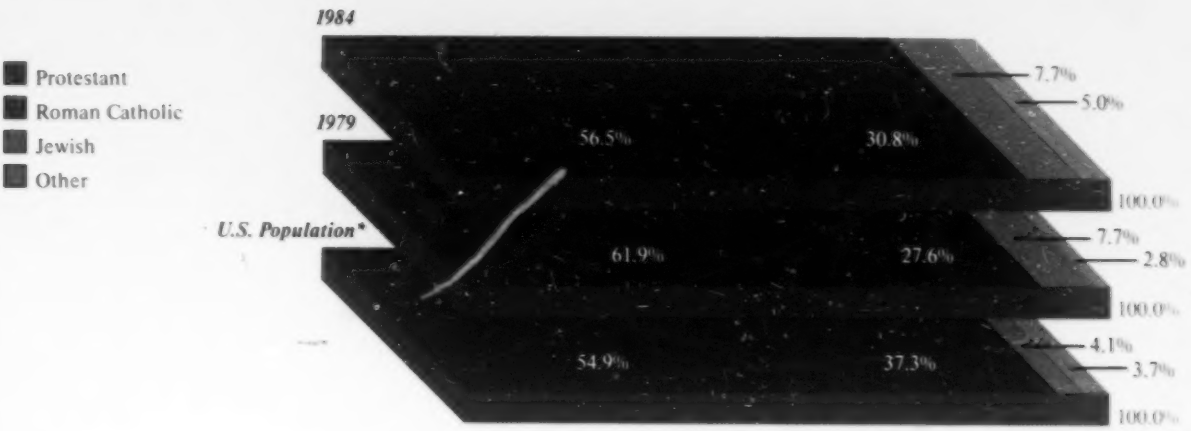
Race

Despite the fact that Civil Rights legislation relative to employment has been in effect for more than 20 years, only 1 percent of the mobile managers in this study are members of racial minorities. Indeed, the overall percentage has remained virtually unchanged over the past five years.

	1984	*Under 40*	*40–49*	*50–59*	*60+*	*1979*
White	99.0%	97.5%	99.2%	99.3%	100.0%	98.8%
Black	0.2	0.0	0.4	0.0	0.0	0.4
Hispanic	0.2	0.0	0.4	0.0	0.0	0.6
Asian	0.6	2.5	0.0	0.7	0.0	0.2
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Religion

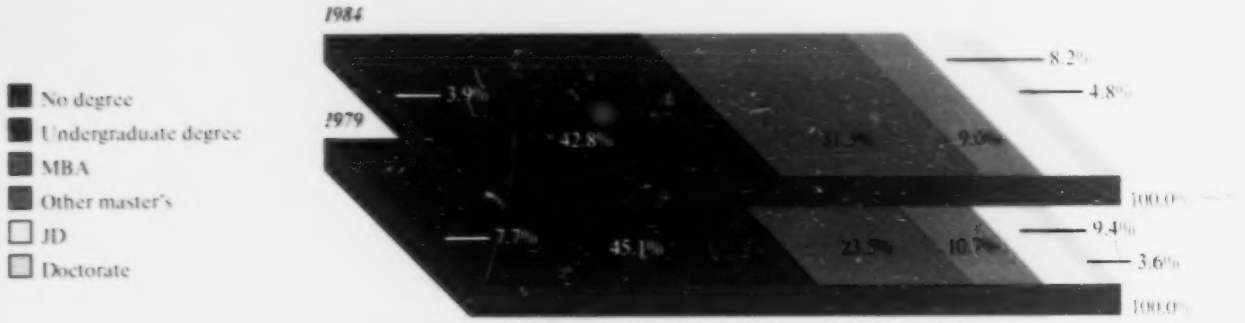
More than half of the mobile managers responding to this survey are Protestants, although their number has decreased since 1979. As in previous studies, the incidence of Protestants and Jews in the upper reaches of major corporations exceeds their representation in the population at large. While Roman Catholics are still underrepresented in terms of the population of the nation as a whole, their percentage has increased 3.2 percent since 1979.



Statistical Abstract of the United States 1985

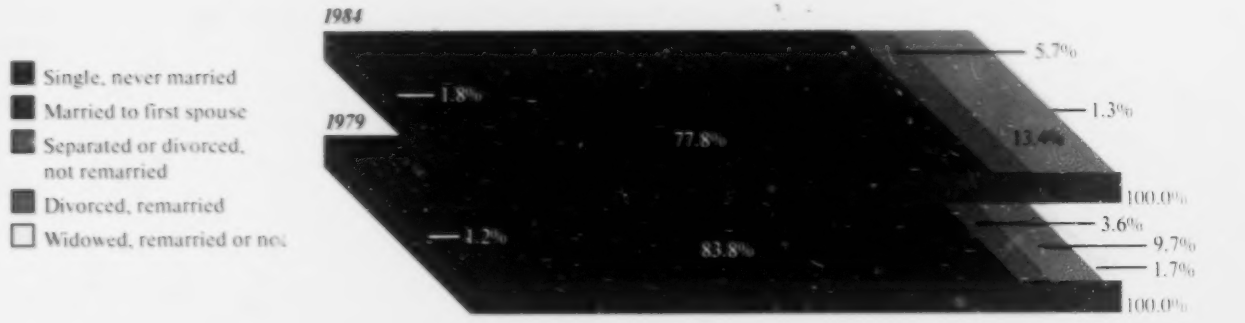
Highest Educational Attainment

The level of education attained by mobile managers continues to rise. More than half the current respondents hold advanced degrees. The MBA is by far the most popular post-graduate study, despite the fact that these executives are divided in their opinion about whether holders of MBA degrees move more quickly up the corporate ladder than those with only undergraduate degrees.



Marital Status

The overwhelming majority of mobile managers fall into the category of married-to-first-spouse, although the proportion has decreased 6 percent in the past five years. A greater percentage of those who were divorced are remarried than was true in 1979. These executives are also less likely than America's adult population as a whole to be divorced. While one of every two marriages in 1985 will end in divorce, more than three-fourths of these managers are still married to their first spouse.



Spouse Employed Full Time for Wages

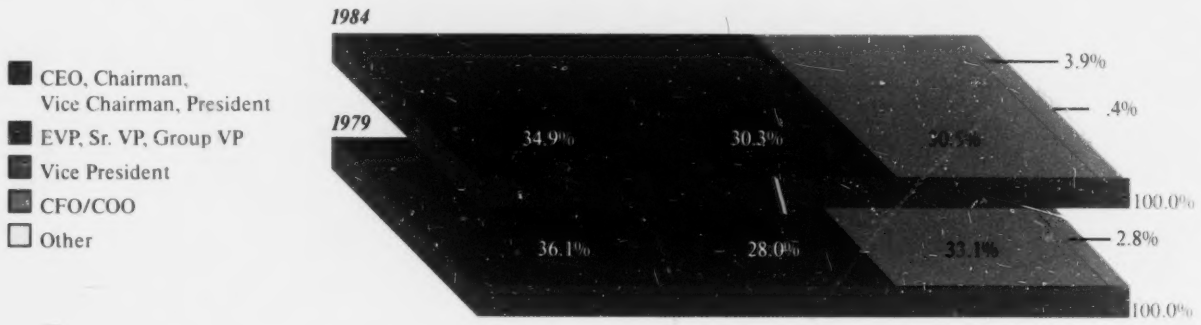
The proportion of executives whose spouses are employed full time for wages has increased to 12.2 percent in 1984 from 10 percent in 1979. Not surprisingly, the highest percentage of working spouses is found in the age group under 40, the group that also is the most highly educated. Slightly more than 83 percent hold at least a bachelor's degree.

Given that 98.2 percent of responding mobile managers are men, it is interesting to note that only 12.2 percent of the spouses are employed full time, while more than half of the adult married women in this country are employed.

	1984	*Under 40*	*40–49*	*50–59*	*60+*	*1979*
Yes	12.2%	21.2%	12.0%	8.3%	9.5%	10.0%
No	87.8	78.8	88.0	91.7	90.5	90.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Title

More than one-third of the mobile managers responding to this survey hold the title of CEO, Chairman, Vice Chairman or President, although fewer do than in 1979. Nearly 60 percent of the respondents have general management responsibilities, and 40.2 percent have functional duties.



Cash Compensation

During the past five years, annual cash compensation (salary and bonus) of respondents has climbed 58.4 percent to an average of $213,000 from $134,500. This increase has more than kept pace with inflation. To earn the equivalent of 1979's dollars in 1984, managers would have had to earn $199,060.

	1984	*1979*
Less than $70,000	0.6%	10.2%
$70,000 - 89,999	3.4	16.2
$90,000 - 119,999	8.2	25.9
$120,000 - 159,999	25.9	22.5
$160,000 - 199,999	17.4	
$200,000 - 229,999	12.6	25.2
More than $229,999	31.9	
	100.0%	100.0%
Mean	$213,000	$134,500

Change in Compensation, Old to New Position

While almost all mobile managers accepting new responsibilities in 1984 receive higher compensation, the greatest gain (38.6 percent) is attained by those who accepted new positions in new companies. Of those who moved between organizations, fully one-third report a compensation increase of 50 percent or more. Mobile managers who received promotions within their own organizations cite an average gain in compensation of 25.9 percent. However, the overall percentage of increase in compensation dropped to 28.3 percent from 32.9 percent five years ago.

Change in Compensation	*1984*	*Interorganization*	*Intraorganization*	*1979*
Decrease	4.6%	9.0%	3.6%	7.2%
No change	1.2	1.3	1.2	1.6
Increase	94.2	89.7	95.2	91.2
	100.0%	100.0%	100.0%	100.0%
Percent of Increase				
Less than 10%	8.9%	1.3%	10.7%	8.3%
10 - 14%	10.1	3.8	11.6	8.3
15 - 19%	11.8	3.8	13.6	8.8
20 - 24%	11.8	9.0	12.4	10.7
25 - 29%	10.4	14.1	9.5	8.6
30 - 39%	19.0	16.7	19.6	15.0
40 - 49%	8.5	7.7	8.6	11.2
More than 49%	13.7	33.3	9.2	20.3
Mean increase	28.3%	38.6%	25.9%	32.9%

Perquisites

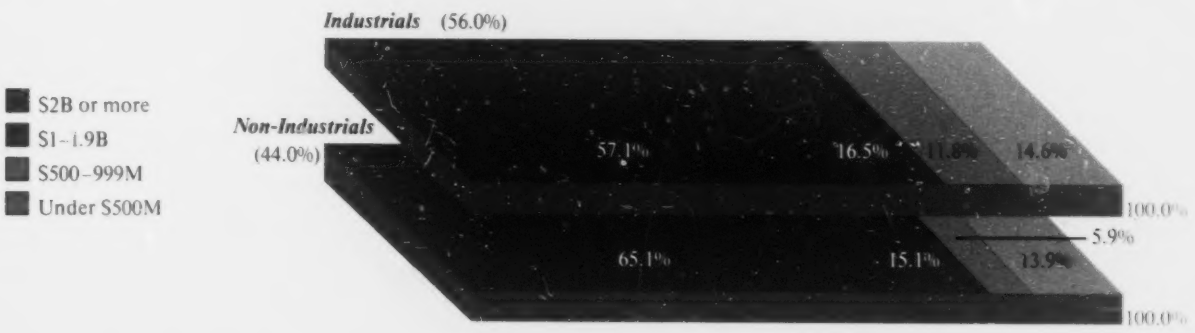
The need for talented executives assures a wide variety of perquisites for mobile managers who accept new positions. The majority receive stock options, an automobile and extra life insurance. In fact, increases exist in the awarding of almost all perquisites between 1984 and 1979. Perhaps as a response to the ever-changing investment and tax environment, the greatest increase (15.5 percent) is in the allotment of deferred compensation.

	1984	*1979*
Stock options	82.7%	71.9%
Automobile	68.4	57.6
Extra life insurance	68.0	69.7
Deferred compensation	47.2	31.7
Stock purchase plan	43.0	41.7
Town club membership	41.4	55.7
Country club membership	31.8	
Financial counseling	36.6	33.5
Performance shares	25.6	24.2
Management contract	18.2	13.2
Tax shelter investment opportunity	15.3	NA
Low-cost loans	9.4	5.8

Results do not add to 100% due to multiple responses.

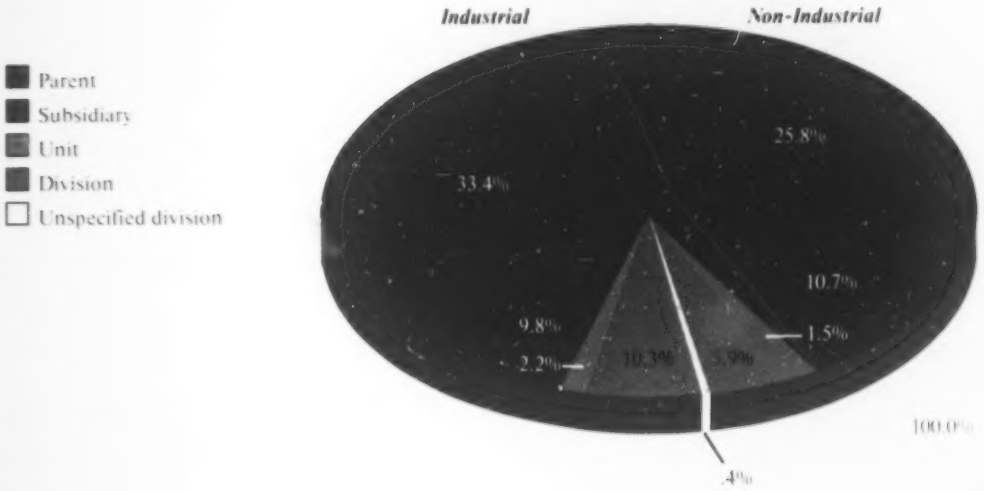
Parent Company Type and Size

The percentage of mobile managers who list industrial parent companies has decreased to 56 percent in 1984 from 64.3 percent in 1979; the largest proportion of this group is affiliated with $2 billion-or-more giants. Reflective of the growth of service businesses, the percentage of executives who report non-industrial parent companies has increased to 44 percent in 1984 from 35.7 percent in 1979. An even greater proportion of these managers is affiliated with $2 billion-or-more organizations.



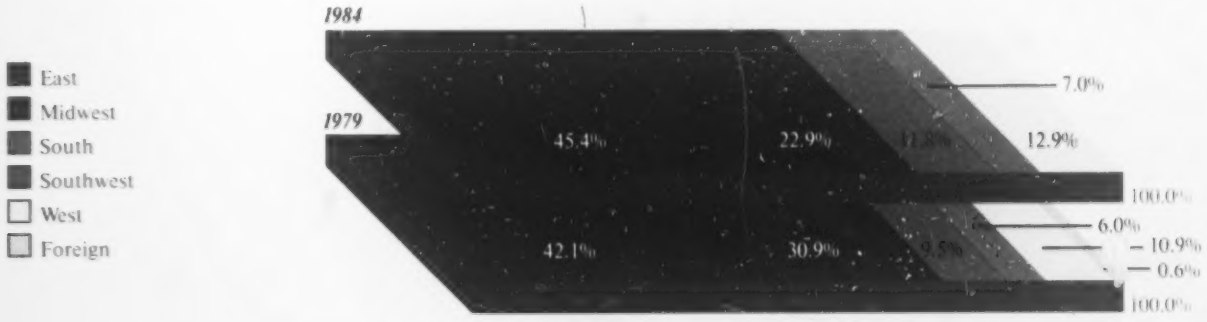
Employer Type

The majority of mobile managers are employed by their parent organizations, with 33.4 percent working for industrial companies and 25.8 percent working for non-industrial firms. The next largest group of executives are employed by subsidiaries of parent organizations, with divisional employment ranking third.



Base Location

As would be expected in light of plant closings and widespread layoffs, the proportion of mobile managers in the Midwest has declined 8 percent in the last five years. While the East shows the greatest increase, climbing to 45.4 percent in 1984 from 42.1 percent in 1979, the proportion of executives in every other region of the country except the Midwest has also increased during this same period.



Source of Inter-organizational Change

Executive recruiting consultants, followed closely by personal contacts, continue to be the primary means of interorganizational movement among mobile managers. Newspaper ads account for only 1.8 percent of such changes.

Contrary to some popularly-held beliefs, compensation is not the primary reason executives accept new positions. Scope of responsibility and challenge rank number one and two as the most important factors for change.

Number of Full-Time Employers

Mobile managers have worked for an average of 3.2 employers during their careers, approximately the same number they worked for five years ago. Yet only 12.6 percent of the current respondents have devoted their entire careers to a single employer, compared with 18.9 percent in 1979.

Mobility varies with parent size in industrial organizations. The greatest mobility (4.04 employers) occurs in industrials with less than $500 million in revenues; the least mobility (2.63 employers) is found in industrials of $2 billion or more.

	1984	*Industrials*				*Non-Industrials*	*1979*
		$2B+	*$1–1.9B*	*$500–999M*	*Under $500M*		
One	12.6%	21.2%	11.8%	6.0%	2.2%	11.0%	18.9%
Two	25.7	32.5	23.4	28.0	22.2	22.5	25.9
Three	26.6	25.2	37.2	18.0	22.2	28.0	23.0
Four	16.0	12.6	11.8	26.0	17.8	16.5	
Five	10.4	4.6	11.8	8.0	13.3	13.1	32.2
Six or more	8.7	3.9	4.0	14.0	22.3	8.9	
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	3.20	2.63	3.02	3.62	4.04	3.31	3.14

Geographic Mobility

Although executive relocations hit a ten-year high in 1984, mobile managers indicate less willingness to move geographically than they did five years ago. Despite the fact that the average number of relocations for these executives stands at three and a half, one in eight has never moved during his career. Of all age groups, the respondents 40–49 are generally more willing to move than other managers.

When mobile managers are asked why they would consider moving, the chief reason given is climate. Cultural facilities, recreational facilities and cost of living rank next in sequential order of importance of those factors influencing executives to relocate.

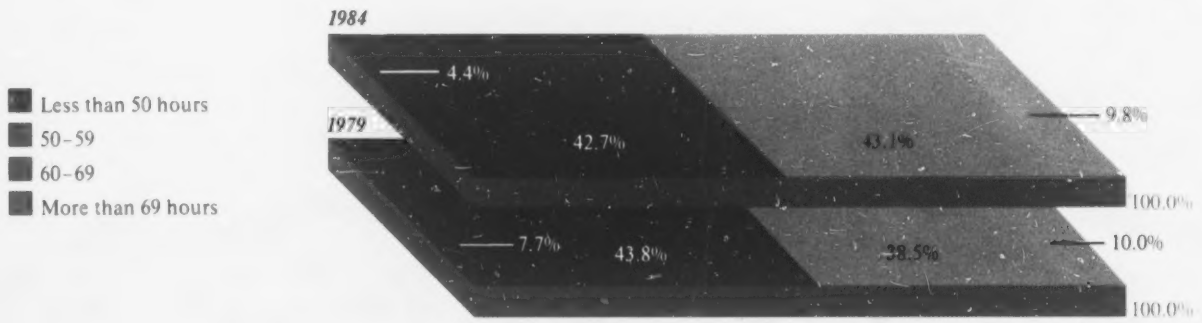
Feelings Regarding Geographic Mobility

	1984	*Under 40*	*40–49*	*50–59*	*60+*	*1979*
Eager to move	2.2%	0.0%	2.5%	2.0%	9.1%	2.2%
Willing to move	48.7	41.5	53.6	44.4	40.9	59.3
Reluctant to move	42.3	52.4	41.4	39.7	36.4	35.3
Will not move	6.8	6.1	2.5	13.9	13.6	3.2
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Hours Devoted to Business Weekly

In the past five years, the number of hours mobile managers devote to work continues to rise, averaging 58.3 hours per week in 1984. More than half the respondents work in excess of 60 hours per week, and 60 percent state that business travel demands up to one-quarter of their time.

When not working, these executives prefer to spend their leisure time on family activities, sports and exercise, and personal hobbies.



Mean 1984–58.3 hours 1979–57.5 hours

Satisfaction with Career Progress

Mobile managers express a great deal of satisfaction with their career progress. The designated degree of "very high" satisfaction has increased to 45.5 percent in 1984 from 40.9 percent in 1979, surpassing the 42.3 percent response given when this question was first posed in 1976. In terms of age, 96.3 percent of the executives under the age of 40 indicate either "very high" or "high" levels of satisfaction with their careers.

When not mentioning their own organizations, more mobile managers designate IBM as their ideal employer than any other single organization.

Career Satisfaction

	1984	*Under 40*	*40–49*	*50–59*	*60+*	*1979*
Very high	45.5%	56.8%	43.8%	42.4%	45.5%	40.9%
High	46.8	39.5	48.1	48.3	45.5	50.0
Average	6.8	2.5	7.0	8.6	9.0	8.5
Low	.9	1.2	1.1	.7	0.0	.6
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Vacation

The majority of mobile managers vacation two or three weeks a year. While almost half the respondents age 40–59 take three or more weeks of vacation, the group 60-or-older is distinctive in having the smallest percentage of executives taking four or more weeks of vacation.

Vacation Weeks

	1984	*Under 40*	*40–49*	*50–59*	*60+*
Less than one	7.7%	8.6%	5.6%	11.2%	4.5%
One	15.4	13.6	15.8	15.1	18.2
Two	34.0	38.3	31.2	34.2	54.6
Three	29.1	28.4	33.4	23.7	18.2
Four or more	13.8	11.1	14.0	15.8	4.5
	100.0%	100.0%	100.0%	100.0%	100.0%

Retirement Plans

Current legislation which permits non-federal institutions and companies to establish a mandatory retirement age of 65 for executives and 70 for other workers has not ended the debate over this issue. While opponents of mandatory retirement push for its elimination, the strong trend toward early retirement is continuing across the country.

In line with this movement, the majority of mobile managers (54.1 percent) plan to retire before age 65. Predictably, the under-40 age group is more uncertain about when they will retire, while, as expected, those age 60-and-older express complete certainty about this decision.

Retirement Age

	1984	*Under 40*	*40–49*	*50–59*	*60+*
Before age 65	54.1%	48.8%	62.3%	48.0%	9.4%
65–70	29.6	21.2	21.8	41.5	81.0
71–75	1.1	0.0	1.1	1.3	4.8
After age 75	1.3	0.0	1.4	1.3	4.8
Don't know	13.9	30.0	13.4	7.9	0.0
	100.0%	100.0%	100.0%	100.0%	100.0%

Leadership Style

Leadership style varies with age. While the *consulting* style of leadership is practiced by 34.4 percent of all the respondents, it is most in favor with mobile managers under the age of 40. Those that *delegate* most are executives age 60-and-over (31.8 percent), suggesting that older managers are more willing to turn decision-making over to their subordinates.

	1984	*Under 40*	*40–49*	*50–59*	*60+*
Tell	3.4%	3.8%	3.6%	2.7%	4.5%
Sell	14.9	20.0	15.3	13.2	4.5
Test	17.8	17.5	18.9	15.9	22.8
Consult	34.4	36.2	32.0	38.4	27.3
Delegate	20.6	10.0	22.0	21.9	31.8
Combination	8.9	12.5	8.2	7.9	9.1
	100.0%	100.0%	100.0%	100.0%	100.0%

Key

Tell: initiate action, make decisions, and instruct my people in what I want done

Sell: initiate action, make decisions, but explain actions to sell my people on the value of my selected course of action

Test: develop a "loose" plan of action, and ask my people for their reactions in refining and shaping final decisions

Consult: ask my people for help in developing courses of action, but I make the final decision

Delegate: give my people the problems, set guidelines, and back the decisions they reach

Source: "How to choose a leadership pattern," by Robert Tannenbaum and Warren H. Schmidt, *Harvard Business Review*, May–June 1973.

Mentors and Sponsors

Because of today's fiercely competitive marketplace, American companies are putting more and more emphasis on grooming talented managers. Therefore, it is not surprising that the overwhelming majority of mobile managers enjoy counsel and support from mentors and sponsors. More than 80 percent have received such support and have, in turn, served as mentors (knowledgeable counselors) and sponsors (influential supporters) to others.

The younger the executive, the more likely he is to have had a mentor. In the under-40 age group, the proportion is 89.6 percent, compared to 78.9 percent for managers 60-and-over. The sponsorship differential is less marked: 90.5 percent of those under age 40 have had supporters, versus 85 percent of the 60-and-over set. Yet, *all* of the respondents over age 60 say they have served as mentors and sponsors, developing executive talent in their protégés.

	1984	*Under 40*	*40–49*	*50–59*	*60+*
Had one or more mentors	80.5%	89.6%	79.6%	77.6%	78.9%
Had one or more sponsors	82.3	90.5	84.7	72.6	85.0
Served as a mentor	86.8	84.3	85.2	89.1	100.0
Served as a sponsor	82.6	82.8	83.5	77.7	100.0

Results do not add to 100% due to multiple responses.

Corporate Loyalty

The increasing frequency of corporate mergers and takeovers and the cost cutting that is leading to the elimination of executive positions are affecting how mobile managers define corporate loyalty. Traditional views are being questioned, especially among the under-40 age group. Only one-third of the respondents define corporate loyalty as support and commitment to corporate goals and strategies, and just slightly more than 11 percent place corporate objectives ahead of personal gain.

Definitions of Corporate Loyalty

	1984	*Intra-organization*	*Inter-organization*	*Under 40*	*40–49*	*50–59*	*60+*
Place corporate objectives ahead of personal gain	11.3%	13.0%	3.7%	13.8%	13.6%	7.7%	0.0%
Support/be committed to corporate goals, strategies, philosophies and policies	33.4	33.1	35.0	24.6	32.6	35.1	52.5
Voice opinion, but support final decision	6.1	6.1	6.3	4.6	5.9	8.5	0.0
Be team player/support team effort	5.2	5.5	3.7	12.3	4.5	2.5	5.3
Put shareholders' interests above all others	2.8	2.3	5.0	1.5	4.5	0.0	5.3
Foster mutually beneficial relationship between company and employee	9.9	8.7	15.0	15.4	10.4	6.8	5.3
Be dedicated/devoted to success of firm, employees and shareholders	10.4	10.2	11.3	7.7	11.3	10.3	10.5
Give 100% of effort and dedication to the company	12.9	13.3	11.2	13.9	11.3	15.4	15.8
Other miscellaneous responses	8.0	7.8	8.8	6.2	5.9	13.7	5.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Views of Mobile Managers

	Agree	*Disagree*	*No Opinion*
Companies are more likely to promote individuals from within rather than seek "new blood."	76.4%	16.9%	6.7%
Corporations are investing increasing amounts of time and money in their greatest asset—their employees.	75.1	21.2	3.7
Outside directors are taking a more effective role in corporate governance.	58.5	32.8	8.7
There is need for federal legislation to control or prohibit greenmail practices.	46.0	33.2	20.8
Holders of MBA degrees move up the corporate ladder much more quickly than those with an undergraduate degree.	44.1	45.3	10.6
The proposed "flat tax," with its curbs on tax deductions and exemptions, would negate the incentives that have spurred the growth of business in the past few years.	43.0	47.7	9.3
Stock buybacks are often used to cover up poor management decisions that place companies in compromising positions.	25.9	44.6	29.5
Upper-level management is beginning an exodus from *Fortune* 500 firms toward smaller organizations.	25.6	37.1	37.3

About Heidrick and Struggles

For more than three decades, Heidrick and Struggles has devoted its full resources and capabilities to providing superior executive search services worldwide. Client organizations within every one of the world's major industries have retained Heidrick and Struggles to identify, evaluate, and attract high caliber executive talent for specific opportunities within upper and middle management and on boards of directors. One of the best-known and most experienced in executive selection, the firm comprises more than 75 professionals, supported by a sophisticated information base in a network of 16 offices located in major business centers in the United States and Europe.

To contribute to the knowledge of senior management, Heidrick and Struggles periodically publishes profiles of incumbents in key management posts. The firm is pleased to add this publication to others it produces to report trends of significance to directors and senior management.

Publications

A list of recent Heidrick and Struggles publications appears below. Copies of those published in the U.S. are available upon written request to our Chicago office.

Mobile Manager (1985) ***$20***
Human Resources: Function in Transition (1984) ***$20***
Profile of a Chief Executive Officer (1984) ***$20***
Director Data (1982) ***$10***
Research and Development (1982) ***$10***
Profile of a Chief Financial Officer (1981)
Profile of a Chief International Officer (1981)
Profile of a Bank and Bank Holding Company Chief Executive Officer (1980)
Profile of a Woman Officer (1980)

The Changing Board ($35)
A survey of chairmen concerning boards of directors (originated in 1966, issued annually)

The Search for Management
Services of an executive recruiting firm

Of specific European interest:

Chief Marketing Executive in the United Kingdom (1984)
Leiter Finanz-und Rechnungswesen Deutschland (1984)
The UK Chief Executive and His Outlook (1983)
Information Technology—The Management of Change in the UK (1982)
Leiter Personalwesen in Deutschland (1982)
Le Directeur Du Personnel Dan Les Benelux (1982)
Profile of a Chief Personnel Executive in the United Kingdom (1981)
La Mobilitia dell'Alta Direzione in Italia (1981)
Profil du Directeur du Personnel en France (1981)
Top Management in the UK Computing Industry (1980)
Profile of the Chief Financial Officer in the United Kingdom (1980)
Profile of a Chief International Officer (1980)
The Characteristics of Newly Appointed CEOs in the UK (originated in 1980, issued semi-annually)

Chief Executive Officer Data

The Search for Management in Europe
A general description of Heidrick and Struggles' activities in Europe

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